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SOAH DOCKET NO. 473-21-0538
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APPLICATION OF SOUTHWESTERN	§	**BEFORE THE STATE OFFICE**
	§	
ELECTRIC POWER COMPANY FOR	§	**OF**
AUTHORITY TO CHANGE RATES	§	**ADMINISTRATIVE HEARINGS**
	§	

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

DECEMBER 15, 2020

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-1:

Post Test Year Adjustments: Please identify all adjustments (rate base, operations and capital structure) incorporated in the Company's application to reflect known and measurable changes occurring after the test period in Company's pending rate application.

Response No. CARD 4-1:

16 Texas Administrative Code (TAC) 25.231(c)(2)(F) addresses post-test year adjustments and applies only to rate base adjustments. As stated on page 6 of Mr. Baird's direct testimony, no such post-test year adjustments were made. 16 TAC 25.231(b) addresses adjustments to operating revenues/expenses and the Company has incorporated numerous operating revenue/expense adjustments for known and measurable changes under this TAC section. Some of these adjustments may utilize information taken from a point in time or period subsequent to the test year in order to make a known and measurable change within the test year. Attached to the direct testimony of Michael A. Baird is Exhibit MAB-2 which lists each adjustment to operating revenues/expenses and rate base, including a short description and the sponsoring witness/witnesses. In addition, Mr. Baird provides additional details in his direct testimony on each adjustment, see pages 19 through 37 (operating revenues/expenses) and pages 43 – 49 (rate base). Specific adjustments that utilize known and measurable changes occurring after the March 31, 2020 test period are:
A-3.1 Payroll Annualization (pay increase), and A-3.7 O&M Expenses (retired plants).

Prepared By: Randall W. Hamlett	Title: Dir Regulatory Acctg Svcs
Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch
Sponsored By: Brian J. Frantz	Title: Dir Accounting

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-2:

Post Test Year Adjustments: Please identify all post test-year adjustments (rate base, operations and capital structure) incorporated in the Company's application that are included because the Company believes that they are "reasonably certain to occur" as opposed to having occurred.

Response No. CARD 4-2:

16 TAC 25.231(c)(2)(F) addresses post-test year adjustments and applies only to rate base adjustments. As stated on page 6 of Mr. Baird's direct testimony, no such post-test year adjustments were made. 16 TAC 25.231(b) addresses adjustments to operating revenues/expenses and the Company has incorporated numerous operating revenue/expense adjustments for known and measurable changes under this TAC section. Some of these adjustments may utilize information taken from a point in time or period subsequent to the test year in order to make a known and measurable change within the test year. Attached to the direct testimony of Michael A. Baird is Exhibit MAB-2 which lists each adjustment to operating revenues/expenses and rate base, including a short description and the sponsoring witness/witnesses. In addition, Mr. Baird provides additional details in his direct testimony on each adjustment, see pages 19 through 37 (operating revenues/expenses) and pages 43 – 49 (rate base). Specific adjustments that the Company believes are reasonably certain to occur after the March 31, 2020 test period are:
A-3.5 Annualize factoring (requested return on common equity),
A-3.16 Storm Expense (catastrophe reserve request),
A-3.20 Vegetation Management Increase (incremental request),
B-1.5.7 Fuel Inventories (target levels), and
B-1.5.17 Dolet Hills Power Station (post test year protected excess ADFIT amortization being used to reduce the Dolet Hills net book value).

Prepared By: Randall W. Hamlett	Title: Dir Regulatory Acctg Svcs
Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch
Sponsored By: Brian J. Frantz	Title: Dir Accounting

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-3:

Regulatory Assets and Liabilities: For each regulatory asset and liability, provide an explanation of the item, the reason for including it in rate base, and any related statutes, orders, legal precedent or other available documentary support for including the item in rate base.

Response No. CARD 4-3:

In this current rate filing, SWEPCO has included regulatory asset accounts 1823301 (Tax), 1823302 (Tax), and 1823299 (SFAS #106) and regulatory liability accounts 2540052 (Excess Earnings), 2543001 (Tax), and 2544001 (Tax) in rate base. CARD_4-3_Attachment_1_Reg_Assets_&_Liabilities.xls provides a description of the non-tax regulatory assets/liabilities and the reason for their inclusion in rate base including reference to applicable PUCT Dockets whereas CARD_4-3_Attachment_2.xls provides the same information for the tax regulatory assets/regulatory liabilities.

CARD 4-3 Attachments 1 and 2 are available electronically on the PUC Interchange.

Prepared By: Randall W. Hamlett — Title: Dir Regulatory Acctg Svcs

Prepared By: Jessica M. Criss — Title: Tax Analyst Prin

Sponsored By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson — Title: Tax Acctg & Reg Support Mgr

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Question No. CARD 4-4:

Regulatory Assets and Liabilities: For each regulatory asset and liability, provide an analysis of the item showing by month the related revenue or expense, the increases and decreases to the account balance with basic descriptive information (i.e. "Storm Damage", "Insurance Reimbursements", or "Amortization"), and the account balances. This analysis should begin with the later of the origination of the item or the last jurisdictional filing which included the item and the analysis should continue through the latest available date. Please provide the response in Excel-compatible format with fully functional formulas. Please update this response as additional months become available.

Response No. CARD 4-4:

CARD_4-4_Attachment_1_1823299_and_2450052.xlsx provides the requested analysis for the non-tax regulatory asset/liability described in the response to CARD 4-3. CARD_4-4_Attachment_2.xlsx provides the requested analysis for the tax regulatory assets/liabilities.

CARD 4-4 Attachments 1 and 2 are available electronically on the PUC Interchange.

Prepared By: Randall W. Hamlett	Title: Dir Regulatory Acctg Svcs
Prepared By: Jessica M. Criss	Title: Tax Analyst Prin
Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch
Sponsored By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr

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Question No. CARD 4-5:

Payroll related expenses: Please provide the following information for each pay period in the test year for each employee group with a separate payroll annualization calculation in the Company's work papers to the extent that information is available, preferably in an Excel-compatible file with fully functional formulas:

a. number of employees
b. regular pay
c. overtime pay
d. compensated absences not included in b. above
e. incentives or bonuses
f. regular hours
g. overtime hours

Response No. CARD 4-5:

See CARD_4-5_Attachment_1.xlsx for the payroll related information requested for each pay period in the test year.

CARD 4-5 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Frances K. Bourland   Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird   Title: Mng Dir Acctng Policy & Rsrch

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-6:

Payroll related expenses: Please provide the following information for each pay period following the test year through the latest available date for each employee group with a separate payroll annualization in the Company's work papers to the extent that information is available, preferably in an Excel-compatible file with fully functional formulas. Please update this response as additional pay periods become available:

a. number of employees
b. regular pay
c. overtime pay
d. compensated absences not included in b. above
e. incentives or bonuses
f. regular hours
g. overtime hours

Response No. CARD 4-6:

See CARD_4-6_Attachment_1.xlsx for the SWEPCO payroll information requested for periods subsequent to the test year ended 3/31/2020.

CARD 4-6 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Frances K. Bourland — Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-7:

Payroll related expenses: Please provide the payroll expense percentage (percentage of total payroll cost that is recorded in O&M expense accounts) for the test year and each of the three years prior to the test year.

Response No. CARD 4-7:

Per the information provided by the Company on Schedule G-1.3 of the filing package, the payroll expense percentage for the test year and the three prior years of 2018, 2017 and 2016 are 69.71%, 69.02%, 74.18% and 72.69% respectively.

Prepared By: Frances K. Bourland　　Title: Regulatory Acctg Case Mgr

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-8:

Please provide a narrative description of any and all programs that the Company or its parent company has instituted which resulted in a decrease to its number of employees since the beginning of the test year.

Response No. CARD 4-8:

Please refer to the filed response to Staff 5-24, which describes and quantifies workforce reduction program(s) since the test year.

Prepared By: Brian S. Healy	Title: Mng Dir Total Rewards
Sponsored By: Brian S. Healy	Title: Mng Dir Total Rewards

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-9:

Payroll related expenses: Please provide a narrative description of any and all programs that the Company or its parent company has instituted which resulted in a decrease to its number of employees since the beginning of the test year.

Response No. CARD 4-9:

Please refer to the filed response to Staff 5-24, which describes and quantifies workforce reduction program(s) since the test year.

Prepared By: Brian S. Healy	Title: Mng Dir Total Rewards
Sponsored By: Brian S. Healy	Title: Mng Dir Total Rewards

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Question No. CARD 4-10:

Payroll related expenses: Please quantify the savings which have been achieved or that are expected to be achieved from programs to reduce the number of employees of the Company or its parent company.

Response No. CARD 4-10:

Please refer to the filed response to Staff 5-24, which describes and quantifies workforce reduction program(s) since the test year. The one SWEPCO employee who departed under this program was replaced in-kind and did not give rise to neither an employee count reduction, nor an associated savings. AEP Service Corporation employees provide service across an array of AEP affiliates. The limited number of AEPSC employee reductions occurring since the test year represent a de minimis proportion of AEPSC employees. Some of the vacated positions resulting from employee participation in this retirement incentive have already been backfilled / replaced; while still other participating employees have not yet departed, with replacement decisions not yet finalized. Moreover, there is no practical means of projecting whether and the extent to which the work previously performed by a departing AEPSC employee on behalf of SWEPCO Texas may be necessarily continuing at comparable cost by some other AEPSC employee. We are no more able to see into the future any SWEPCO Texas savings that may result from this program than we are able to reliably project areas where SWEPCO Texas may face increasing costs from other evolving facts and circumstances.

Prepared By: Brian S. Healy Title: Mng Dir Total Rewards

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-11:

Payroll related expenses: Please provide the Company's policies regarding eligibility for pay increases.

Response No. CARD 4-11:

The Company provides an annual merit increase opportunity to all employees, except those in physical and craft positions, and a general increase to employees in physical and craft positions. The general increase for union represented employees is negotiated as part of a collective bargaining agreement. The general increase for unrepresented physical and craft positions is the same as that negotiated for similarly situated represented employees.
Merit increases are based on manager's assessments of individual employee performance and other legally allowable business related factors. Merit increases are constrained by each managers merit increase budget and subject to both HR and at least one-up manager approval (one up from the recommending manager). Within a market competitive total increase budget the Company also carves out smaller annual budgets for equity adjustments (internal or external equity issues), line of progression promotions and geographic wage equalization.
Please see CARD 4-11 Attachment 1 for additional policies and procedures regarding pay increases.

Prepared By: Andrew R. Carlin — Title: Dir Comp & Executive Benefits

Sponsored By: Brian S. Healy — Title: Mng Dir Total Rewards

Sponsored By: Andrew R. Carlin — Title: Dir Comp & Executive Benefits

2020 Date	Total Compensation Planning Calendar
1/15	Please have all employee transfer and job changes in PeopleSoft in order to have accurate information in the Compensation Planning tool
1/22	Compensation Planning System open for leaders' input of merit or equity increases, promotions, and ICP award recommendations
2/5*	Final day for leaders to input recommendations in the Compensation Planning System
Week of 2/10	Executive review of all recommendations
2/17 - 19	Final Board approval of all salary increases and incentive awards
2/20 - 3/2	Employee communications begin on all salary adjustments and incentive awards
3/3	ICP awards visible in PeopleSoft
3/6	ICP awards paid
4/1	Salary increases and promotions effective
4/7	Salary increases and promotions visible in PeopleSoft
4/10	Salary increases and promotions reflected in pay

*This is the final date all leaders will be able to input recommendations Business Unit leaders should communicate an earlier deadline to their supervisors/managers if they want to build in time for a business unit roll-up review of all recommendations before the system closes.

SCHEDULE CALIBRATION MEETINGS: We encourage you to schedule time to meet with other leaders within your group to discuss performance and rewards for a collective group of employees from a broader perspective. These calibration meetings ensure that we are rewarding employees effectively across a business unit and facilitate effective use of a broader budget.

DIFFERENTIATION: It's important through the performance and compensation processes to recognize and reward your highest performers as well as identify where we have improvement opportunities. Please remember that the overall target distribution for Role Models is 10-20% of our population, and the target for Opportunity for Improvement is 5-15%.

2020 SALARY STRUCTURE: The salary structure has been updated with a 2% increase and is posted on the AEP Human Resources website.

SALARY BUDGET AND MERIT MATRIX: Merit guidelines will be based on a 3.0% merit budget. An additional 0.5% budget will be allocated for promotions and equity adjustments; these funds should not be used to supplement the merit budget.

PLANNED PROMOTIONS AND RETIREMENTS: It's important to notify your HR Business Partner or any member of the Compensation team if there are planned promotions, outside of the 4/1 cycle, or of any known 2020 retirements. If either of these events result in no 4/1 salary increase for these individuals, their funded dollars will also be removed from the merit and promotion pools. Late notification may cause you to exceed your pools and therefore force a reallocation of funds in order to be within budgeted dollars.

ICP GUIDANCE: Guidance on individual discretion will be the same as in recent years which is 110% and above for Role Models, 90-110% for Solid Performance and up to 90% for Opportunity for Improvement.

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2020 Compensation Planning – Reference Guide

Key dates for the 2020 Compensation Planning process:

2020 Date	Total Compensation Planning Calendar
1/15	Please have all employee transfer and job changes in PeopleSoft in order to have accurate information in the Compensation Planning tool
1/22	Compensation Planning System open for leaders' input of merit or equity increases, promotions, and ICP award recommendations
2/5*	Final day for leaders to input recommendations in the Compensation Planning System
Week of 2/10	Executive review of all recommendations
2/17 - 2/19	Final Board approval of all salary increases and incentive awards
2/20 - 3/2	Employee communications begin on all salary adjustments and incentive awards
3/4	ICP awards visible in PeopleSoft
3/6	ICP awards paid
4/1	Salary increases and promotions effective

*This is the final date all leaders will be able to input recommendations Business Unit leaders should communicate an earlier deadline to their supervisors/managers if they want to build in time for a business unit roll-up review of all recommendations before the system closes.

Please note: Leaders should not communicate any salary or incentive values until notified of final approvals. You will be notified by Compensation (via email) when salary adjustments and incentive awards have been approved and statements for each participant will then be available for printing within the Compensation Planning System.

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BOUNDLESS ENERGY

2020 Compensation Planning – Reference Guide

About the System:

- **Compensation Planning System** is open from **January 22 - February 5.** Please note that the system may be closed for maintenance and updates each weekday between **9 pm and 10 pm EST** You will not be able to access the system during this time if the system is closed.

- Here is a link and instructions for logging into the Compensation Planning System:

  1 Log in to HR Now
  2 Click on Compensation Planning tab
  3 Click on the Salary/Incentive link
  4. Select the plan name link to begin the salary and incentive planning process.

- **Eligibility** - employees will show up in each cycle for which they're eligible Some employees may not be eligible for salary increases or incentives.
  For example –
  - Any employee who was hired or promoted with a salary increase on December 1, 2019 or after is generally not eligible for an April 2020 merit increase.

- **Performance Categories** – After you've finalized employees' annual performance reviews and the review is in **'Available for Review'** status in the performance management system, the saved performance category will automatically feed over to the compensation planning system but you can still change the performance category in the compensation planning system. If an employee has acknowledged your evaluation and the review is in **'Acknowledged'** or **'Completed'** status, the final performance category will automatically feed over to the compensation planning system and the performance category cell will lock to prevent further changes.

  Performance categories will also feed across between open compensation cycles once your input has been saved. For example, if you enter performance categories for your employees in the Salary plan and save it, the same categories will automatically populate in the ICP plan.

- **2019 Retirees –** Employees who retired prior to April 2019 are not eligible for a 2019 ICP award All other 2019 retirees will show up in the ICP cycle under the leader they reported to when they retired. Their awards will be based on their eligible earnings for 2019 and, as such, will already be pro-rated for partial-year service. You may apply discretion to their final payouts, but please remember these retirees should be recognized for their contributions during the year, like all other employees.

- **Planned Promotions and Retirements** – It's important to notify your HR Business Partner or any member of the Compensation team if there are planned promotions, outside of the 4/1 cycle, or of any known 2020 retirements. If either of these events result in no 4/1 salary increase for these individuals, their funded dollars will also be removed from the merit and promotion pools. Late notification may cause you to exceed your pools and therefore force a reallocation of funds in order to be within budgeted dollars.

- **Alternates** – Due to several organizational changes we've had within the last year, we removed the alternates that were previously assigned to leaders. If you would like to assign an alternate to assist you with system input, you can do so by following the instructions below. Please take necessary steps to ensure confidentiality is maintained.

  1 Log into **HR Now**
  2. Click on **My Organization** tab
  3 Click on **Maintain Alternate(s) access** link at the bottom of the page
  4. Click on the **plus** sign to add an additional alternate
  5. Search for employee using **User ID**, **Name**, or **Empl ID** search criteria
  6. Select **eCompensation Alternate** (at the bottom of the list) from the **Security Roles Assigned** drop down box
  7. Click **Save**

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2020 Compensation Planning – Reference Guide

Key Points:

- **2020 Salary Structures:** Our 20-grade salary structure has been updated with a 2% increase and is posted on the AEP Human Resources website on AEP Now.

- **Differentiation** - In order to recognize, retain, and reward our best performers, it is important that we use discretion when making compensation decisions. The chart below shows guidance for merit and ICP discretion

We have limited budget dollars, so it's critical to use them effectively. Business Units are encouraged to have group meetings, especially if the individual leaders' budgets are relatively small, in order to have a consistent practice across the group and to ensure the highest level performers in the group are being recognized and rewarded.

Begin by reviewing your Role Models – the largest salary adjustments should go to the Role Models who are lowest in their salary range And the largest positive discretion should be applied to Role Models' ICP payments This is also an opportunity to provide greater reward to any high performers who may have received smaller salary increases because they are already high in their salary range.

Next, **review your Opportunity for Improvements** – generally these employees would not be eligible for a salary increase and their ICP discretion should be 90% or lower. However, if the employee's rating is due to being new in role, there may be cases where an increase is appropriate and they receive more than 90% of their ICP target. Remember: it's important to make good decisions regarding employees in this category, so that funding is available to reward your higher performers.

Solid Performance – this is where most employees are rated, but it is still important to differentiate across this group based on their current pay and their performance against their goals in 2019.

Merit and ICP guidance –

Performance Category	Merit per Position in Range			Incentives
	Lower Third	Middle Third	Upper Third	
Role Model	5 - 7%	3 - 6%	2 - 4%	110+
Solid Performance	3 - 5%	2 - 4%	1 - 3%	90-110%
Opportunity for Improvement	0 - 3%*	0%	0%	0-90%**

* Merit increases in this category should only be provided to employees who are new in the role and

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- **Merit increases** - Merit budget is **3.0%** and will be used for regular merit increases.

- **Promotion/Equity Increases** – Promotion and equity budget is **0.5%.** These dollars will be used for promotions into new roles in higher grades, or for equity adjustments when pay is unjustifiably low relative to internal peers or external market. ***Promotion/equity dollars cannot be used to supplement the merit budget; please enter a merit increase for an employee before entering a promotion or equity adjustment.***

- **Discretionary ICP Budget** – Discretionary ICP dollars are the sum of the final targets for your employees. These final target amounts are calculated from their eligible earnings, the target percentage for their pay grade, and the final performance score for their business unit. Please use the chart above to apply discretion within the guidelines for their performance rating.

- **Non-discretionary ICP** – Employees who are on the non-discretionary incentive plan, such as our represented employees, will appear in their own cycle. No leader input is necessary for this cycle.

- **ICP Max Guidance** – This field in the ICP planning tool shows what the ICP maximum award value is per individual. For recommendations over the maximum value, EC approval is required. The tool will also require managers to enter in a comment regarding any above maximum payout before they can submit their plan.

Incentives remain subject to a maximum payout of the greater of two times the employee's target award percentage OR the Business Unit Overall Score plus 50% of the 1.0 target.

For example:

Target Award %		BU Overall Score		Calculated Award %	Maximum Award %
15%	x	0.900	=	13.5%	30% (2 x 15%)
15%	x	1.000	=	15.0%	30% (2 x 15%)
15%	x	1.700	=	25.5%	33% (1.7 + .5 x 15%)

- **ICP Holdback -** Senior leadership has determined that there will be a **5% ICP budget holdback** at the enterprise level. This holdback will be calculated as 5% of original target dollars (business unit score of 1.0), as opposed to 5% of the final business unit score. The holdback will be applied for all employees who are on a discretionary incentive plan. The holdback dollars will be managed by executive leadership to ensure differentiation and recognition of our highest performers.

  An example below helps illustrate the holdback calculations.

		ICP Target			ICP Target after Holdback		Holdback
Eligible Earnings		$75,000			$75,000		
2019 ICP Target %	x	10%		x	10%		
2019 ICP Target $		$7,500			$7,500		
Business Unit Score	x	1.25		x	1.20*		
Adjusted Target $		$9,375	-		$9,000**	=	$375***

* Business Unit Score adjusted by .05 (5%) for holdback
** This is what will appear as the Funded Amount in the Compensation Planning System
*** $375 is 5% of $7,500 which is the target before the business unit score was applied

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2020 Compensation Planning – Reference Guide

Reporting Options:

- **Employee Compensation History** – You can click on any employee's name in any of the cycles to see three years of compensation history.
- **Manager Summary Report** – This spreadsheet can be run from any of the cycles and will summarize your total compensation for each employee.
- **Manager Scorecard** – You can run this scorecard from the salary or ICP cycle and it will show your performance category and compensation distribution results as well as list any employees whose recommendations are outside of guidelines
- **Exporting Reports to Excel** – This Excel spreadsheet can be run from any of the cycles and can be used for compensation planning outside of the system for your employees. You can choose to either do planning in dollars or in percentages for salary and ICP awards.

If you have any questions or need assistance, please email **AEPCompensation@aep.com** or contact one of the Compensation group members listed below.

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Lisa McNeil	614 716 1521	Audinet 8.200 1521	Andy Carlin	614.716.3417	Audinet 8.200.3417

Human Resources

Compensation Practices

At AEP, our compensation programs are designed to be results-oriented, market-focused, and flexible - sending a consistent pay-for-performance message to employees at all levels throughout the organization.

A "pay-for-performance" foundation supports our business strategy of winning in the marketplace. Pay-for-performance is also one of the fundamental tenets of our total cash compensation philosophy - which links individual rewards to business performance while offering support and encouragement to individuals who pursue a successful career at AEP.

Our total cash compensation philosophy is based on these key principles:

- We strive to link total compensation to our stated business objectives;
- We design our base pay and incentive programs so that we pay for performance;
- And, we use our total compensation structure to enhance our ability to attract, retain, and motivate a diverse group of talented individuals.

At AEP, we make sure the pay we offer is competitive in the marketplace by using an overall market pricing process. We gather market data to ensure that our pay is competitive, based on what our competitors pay for similar jobs. We participate in a variety of confidential compensation surveys that help us compare our pay against companies who compete with us for business, labor, and talent.

Having a competitive total cash compensation program helps us attract and retain key talent, which we need to achieve outstanding business and financial results over the long term. When we compare our compensation program to those offered by other selected companies both in our industry and industry as a whole, we look at total cash compensation, including:

- **Base Salary** -- Your base salary reflects your job responsibilities, level of experience and job performance. Base salary is certainly an important piece of your total compensation. You can look for your base salary to grow based on performance, experience, and proficiency.

- **Merit Increase** -- You earn, or merit, an increase in base salary by adding value to the organization. A merit increase is the most common type of salary adjustment and is determined by performance. Merit increases are awarded to better position salaries relative to the market or relative to the salaries of others performing comparable roles, based on performance.

- **Incentive Pay** -- AEP offers both annual and long-term incentive programs to reward outstanding performance and achievement of business goals. Incentives or variable compensation provide financial rewards to those who contribute to business results and meet or exceed their personal performance goals. Because this form of compensation is variable, it must be re-earned each year, or to state it another way, is "pay at risk." (See Incentive Pay Plans for more information on incentive pay.)

Website Contact: Human Resources (1-888-237-2363)

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-12:

Payroll related expenses: If the Company included an adjustment to payroll expenses that included pay increases after the end of the test year, please provide an explanation of the increase together with documentation supporting the amount and effective date of the increase.

Response No. CARD 4-12:

The Company increased payroll expense after the end of the test year to reflect a 2.75% merit increase budget for all employees, except those in physical and craft positions. This budget was implemented effective April 1, 2020 and is consistent with merit rates throughout the utility industry. April 1 has been AEP's common merit increase date for all employees for many years.

The Company also increased payroll expense after the end of test to reflect a 2.5% general increase for employees in physical and craft positions. This amount was negotiated for represented employees as part of a collective bargaining agreement. It was implemented in 2000 for represented and unrepresented employees on the anniversary dates of collective bargaining agreements. This amount is consistent with wage increase rates for physical and craft positions in the utility industry.

Please see CARD 4-12 Attachment 1 for excerpts from a presentation to the HR Committee of AEP's Board of Directors supporting the amount and timing of the above wage increases.

Prepared By: Frances K. Bourland	Title: Regulatory Acctg Case Mgr
Prepared By: Andrew R. Carlin	Title: Dir Comp & Executive Benefits
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VI. Review 2021 Merit and General Increase Budgets *(Inform)*

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Presentation Objective and Background

Objective

- To inform the HR Committee of current base pay market trends, the Company's 2021 base pay increase budgets, and 2021 salary structure adjustments

Market Overview

- Market surveys project salary increase budgets of 2.5% to 3.0% for 2021 among EEI peers and 2.9% to 3.0% at the median for the Energy Services industry
- 2020 was the last year that AEP anticipates a need for above market increases to catch up to the market
  - 2021 will not include an additional 0.25% for market adjustments for merit eligible employees or either an additional 0.5% market adjustment or an additional 0.5% geographic wage equalization budget for physical and craft employees

AEP Base Pay Market Position Overview

- AEP's employee compensation slightly improved relative to market compensation over the past year to slightly below the market median on average
- AEP's low employee turnover generally suggests that most positions are paid at least competitively relative to the local labor markets in which AEP operates
  - AEP continues to be an employer of choice* in most geographic areas in which we operate, particularly more rural locations
- Competition for experienced employees has somewhat abated due to economic conditions but should be expected to resume and create challenges in a few areas once economic conditions improve
  - These situations are occasionally disruptive at a geographic location or department level but are unlikely to be more broadly disruptive in the near term

*Potential job candidates are easily sourced and generally prefer AEP over most other potential employers

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Objectives and Priorities For Base Pay Budgets

1. Provide base pay increase budgets that are sufficient to maintain the competitiveness of AEP's compensation on average
2. Address gaps to the market competitive range, particularly for positions where higher turnover leads to relatively high replacement expense or business risk
3. Significantly differentiate merit awards to reflect documented performance differences
   a. Significantly larger merit awards for *Role Model* performance
   b. Merit awards that are modestly less than the merit budget for *Solid Performance*
      - This is necessary because the number of high performing employees is larger than the number of low performing employees
   c. Significantly smaller or no merit awards for *Opportunity for Improvement* performance, except to the extent the reason for this rating is because the employee is new in their position
   d. Eliminate pay differences over time that are not warranted by recent performance
4. Differentiate merit awards to reflect current salary relative to the salary range (lower, middle or upper third)
5. Better enable line of progression promotions, such as Accountant to Accountant Senior, and equity adjustments by providing separate budgets
   - Controls are in place to better ensure that these budgets are used for their stated purpose
6. Establish realistic employee expectations for solid performance and enable managers to successfully communicate merit awards through continued training, employee education and communications
7. Continue to monitor and address pay compression where it occurs to better ensure that it is financially worthwhile for front line employees to step up to supervisory roles

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Merit Pay Overview

Objectives of Merit Pay

- Link base compensation to employee performance, and
- Grow base pay to keep pace with market competitive compensation on average

Merit Pay Practices

- Pay for employees entering a job generally starts below the midpoint of the market competitive range and progresses through the competitive range as warranted by individual employee performance
- Pay ranges and salary grades are adjusted as needed to reflect changes in market compensation
- In order to maintain market competitive pay and enable salary progression, the Company's merit budget needs to exceed the growth rate of pay in the market
  - The merit budget should exceed this growth rate by an amount sufficient to enable pay to progress from the average starting level to the market midpoint over the period it typically takes well performing employees to become fully proficient in their job
  - The merit budget should also be sufficient to enable pay to progress over time for high performing employees to above the market midpoint so that pay levels are, on average, near the market midpoint

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General Increase for Physical & Craft Employees

- The objectives of wage adjustments for physical and craft employees are to:
  - Ensure an adequate and suitably skilled labor supply for all positions
  - Enable successful labor negotiations
  - Grow base pay rates to keep pace with market competitive compensation
  - Address gaps to market median compensation over time
  - Equalize pay rates across geographic locations over time

- All AEP physical and craft employees in a bargaining unit are paid the same rate for each "step" (e.g. step 1, 2, 3 and 4) for each position (e.g. Line Mechanic C)
  - Base pay does not progress through a pay range over time
  - As a result, the overall rate of base pay increases only needs to equal the growth rate of wages in the labor market in order to keep pace with the market

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General Increase, Market and Geographic Wage Adjustments for Physical & Craft Employees

- Historically AEP had 1-year labor agreements but we are concluding the 2nd 3-year wage agreement
  - 2018-2020 wage increases were back-end loaded; 2.5%, 3.5% and 3.5% for 2018, 2019 and 2020, respectively;
  - Market and geographic wage adjustments also occurred in 2019 and 2020
    - These adjustments were sufficient to eliminate the gap to market median and internally equalize wages for journey level positions
- Wage negotiations are currently taking place for April 1, 2021 through March 31, 2022 (IBEW only)
  - Due to uncertainty related to COVID-19 and associated economic conditions, AEP is negotiating a 1-year contract that offers:
    - A 2.5% general wage increase for all positions for 2021, and
    - A 2% of salary ICP shift to base effective January 1, 2022

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2021 General Wage and Merit Increases

Group	2021 Budget %	
Physical & Craft Employees[1]		
General Increase	2.50%	
Merit Eligible Employees		
Merit Increase	2.75%	
Line of Progression Promotions	0.25%	
Total	3.00%	

<u>2021 Direct Expense Change Sensitivity:</u> **<u>(000's)</u>**

Each .1% change to general increase costs/(saves): $277

Each .1% change to merit increase costs/(saves): $1,077

[1]Includes a small portion of physical & craft employees that are merit eligible

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-13:

Payroll related expenses: If the Company included an adjustment to payroll expenses that included pay increases after the end of the test year, please provide the comparable percentage pay increases awarded in each of the three years prior to the test year of each payroll group separately annualized, the effective date for the increase, and the total base pay for each annualized group for the twelve months preceding the pay increase and the total base pay for the twelve months following the pay increase.

Response No. CARD 4-13:

See CARD_4-13_Attachment_1.xlsx for the historic SWEPCO pay increase information requested.

CARD 4-13 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Frances K. Bourland	Title: Regulatory Acctg Case Mgr
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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-14:

General: Please provide detailed trial balances for each year, from 2015 through 2019. Please provide the response in Excel-compatible format with fully functional formulas.

Response No. CARD 4-14:

Balance sheet trial balances from 2015 through 2019 in Excel format are provided in CARD 4-14 Attachments 1 through 5.
Income statement trial balances from 2015 through 2019 in Excel format are provided in CARD 4-14 Attachments 6 through 10.

CARD 4-14 Attachments 1 through10 are available electronically on the PUC Interchange.

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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-15:

General: Please provide detailed trial balances by month beginning one month before the first month of the test year and continuing through the latest available date.

Response No. CARD 4-15:

Detail balance sheet trial balances by month from March 2019 through October 2020 are provided in CARD 4-15 Attachments 1 through 20.
Detail income statement trial balances by month from March 2019 through October 2020 are provided in CARD 4-15 Attachments 21 through 40.

CARD 4-15 Attachments 1 through 40 are available electronically on the PUC Interchange.

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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-16:

Incentive compensation: Please provide an analysis of each incentive plan showing the amounts included in test year expenses based on a) company earnings, b) utility investment cost containment, c) expense containment, d) customer service, and e) safety.

Response No. CARD 4-16:

Please see CARD_4-16_Attachment_1.xlsx for the analysis of the SWEPCO test year incentive expense based on the categories requested.

Please see CARD_4-16_Attachment_2.xlsx for the analysis of AEPSC costs billed to SWEPCO in unadjusted test year expense for each incentive plan.

CARD 4-16 Attachment 1 and 2 are available electronically on the PUC Interchange.

Prepared By: Frances K. Bourland	Title: Regulatory Acctg Case Mgr
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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-17:

Incentive compensation: Please provide an analysis of each incentive plan showing the amounts included in pro forma expenses based on a) company earnings, b) utility investment cost containment, c) expense containment, d) customer service, and e) safety.

Response No. CARD 4-17:

Please see CARD_4-16_Attachment_1.xlsx for the analysis of SWEPCO incentive expense included in the Company's pro forma expense based on the categories requested.

Please see CARD_4-17_Attachment_1.xlsx for the analysis of AEPSC costs billed to SWEPCO included in pro forma expense (adjusted cost of service) for each incentive plan.

CARD 4-17 Attachment 1 is available electronically on the PUC Interchange.

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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-18:

Incentive compensation: For each short-term incentive compensation plan for which any expense is included in SWEPCO's pro forma cost of service, please provide the information for (1) SWEPCO short-term plans, and (2) AEPSC short-term plans allocated to SWEPCO:

a. Please provide a description of each plan.
b. Provide a description of each of the goals or performance measures for each plan.
c. Provide the amount paid in the test year for each goal or performance measure, by plan.
d. Provide the amount included in pro forma operating expense for each goal or performance measure for each plan.
e. Provide the amount included in operating expenses for each plan for each year 2015 through 2019.
f. Provide the amount capitalized for each plan for each year 2015 through 2019.
g. For each plan, show the amounts and dates of each incentive payment for each year 2015 through 2019.
h. For each month 2015 through 2019, provide the amount included in operating expenses for each incentive or bonus plan.
i. Provide the amount of any adjustments related to each incentive of bonus plan.
j. Provide the jurisdictional allocation factors for each incentive or bonus plan.
k. Please provide the amount of payroll taxes associated with each plan in the test year.

Response No. CARD 4-18:

(1a), (1b), (2a) and (2b) Please see OPUC 1-18 Attachments 1 and 2 for descriptions of the short-term incentive plans and applicable goals for 2019 and 2020, respectively.

(1) (c-k) All answers below relate to SWEPCO short-term incentive plans:

c. Short-term Incentive compensation payments are not recorded by performance measure or performance goal. As such an estimate of the amount paid in the test year by performance measure has been provided in CARD_4-18_Attachment_1.xlsx for the SWEPCO short-term incentive compensation payments made during the test year by goal/performance measure, by plan.
d. Please see CARD_4-18_Attachment_1.xlsx for the SWEPCO short-term incentive expense, included in pro forma operating expense, billed to SWEPCO during the test year by goal/performance measure, by plan.
e. Please see CARD_4-18_Attachment_1.xlsx for the amount of SWEPCO short-term incentives recorded to expense accounts, for each plan, for the years 2015-2019.

f. See CARD_4-18_Attachment_1.xlsx for the SWEPCO short-term incentive amounts recorded to CWIP (FERC account 107) and RWIP (FERC account 108), for each plan for the years 2015 - 2019. These incentive amounts are capitalized as a part of the Company's payroll loadings. These loadings would be recorded as activity on projects in CWIP and RWIP and recorded to Plant in Service (FERC account 101 - after unitization or 106 prior to unitization). During the unitization process, the original source is not retained and therefore, it is not possible to determine the amount of incentives in Plant in Service. Therefore, the information provided in this response relates to incentive compensation amounts recorded to those work-in-progress accounts only.

g. Please see CARD_4-18_Attachment_1.xlsx for the SWEPCO short-term incentive payments for each for the years 2015-2019 and the date those payments were made.

h. The Company's employee total compensation does not have a "bonus plan" therefore "bonuses" are not paid. Employees have a total compensation pay package that is earned as base and incentive compensation pay. The incentive compensation earned by employees by goal achievement is merely variable portion of their total pay that is at risk. This compensation design motivates employees and provides needed pay that causes employee total compensation to attain the reasonable market-competitive level that is required. The target value amount of employee incentive compensation pay is a critical component of the market-competitive total compensation package, which the Company uses to attract and retain qualified employees. Please see CARD_4-18_Attachment_2.xlsx for the amount of SWEPCO short-term incentives recorded to expense accounts by plan, by month for the years 2015-2019.

i. The Company's employee total compensation does not have a "bonus plan" therefore "bonuses" are not paid. Employees have a total compensation pay package that is earned as base and incentive compensation pay. The incentive compensation earned by employees by goal achievement is merely variable portion of their total pay that is at risk. This compensation design motivates employees and provides needed pay that causes employee total compensation to attain the reasonable market-competitive level that is required. The target value amount of employee incentive compensation pay is a critical component of the market-competitive total compensation package, which the Company uses to attract and retain qualified employees. Please see CARD_4-18_Attachment_1.xlsx for SWEPCO pro forma adjustment amounts by plan.

j. The Company's employee total compensation does not have a "bonus plan" therefore "bonuses" are not paid. Employees have a total compensation pay package that is earned as base and incentive compensation pay. The incentive compensation earned by employees by goal achievement is merely variable portion of their total pay that is at risk. This compensation design motivates employees and provides needed pay that causes employee total compensation to attain the reasonable market-competitive level that is required. The target value amount of employee incentive compensation pay is a critical component of the market-competitive total compensation package, which the Company uses to attract and retain qualified employees. Please see CARD 4-18_Attachment_3.xlsx for the pro forma allocations by FERC account. In the Cost of Service, allocations are based on FERC Accounts not incentive plans.

k. Please see CARD_4-18_Attachment_1.xlsx for the amount of SWEPCO test year payroll tax by plan.

(2) (c-k) All answers below relate to AEPSC short-term incentive plans allocated to SWEPCO:

c. Short-term Incentive compensation payments are not recorded by performance measure or performance goal. An estimate of the amount paid in the test year by performance measure has been provided in CARD_4-18_Attachment_4.xlsx for short-term incentive compensation expense billed to SWEPCO during the test year by goal/performance measure, by plan.
d. Please see CARD_4-18_Attachment_4.xlsx for short-term incentive expense, included in pro forma operating expense, billed to SWEPCO during the test year by goal/performance measure, by plan.
e. The amount of short-term incentive expense billed to SWEPCO in operating expense accounts, for each plan, for the years 2015-2019 were:

Plan	2015	2016	2017	2018	2019
Executive/Staff/Other	6,908,364	5,981,317	3,370,769	5,806,687	6,384,160
Generation	1,791,263	2,146,954	1,288,600	2,228,927	3,193,521
Transmission	1,006,052	862,885	460,614	715,455	1,065,186
Distribution/Performance Management	-	-	-	-	355,009
Grand Total	**9,705,679**	**8,991,156**	**5,119,982**	**8,751,070**	**10,997,876**

f. These incentive amounts are capitalized as a part of the Company's payroll loadings. These loadings would be recorded as activity on projects in CWIP (FERC 107) and RWIP (FERC 108) and recorded to Plant in Service (FERC account 101 - after unitization or 106 prior to unitization). During the unitization process, the original source is not retained and therefore, it is not possible to determine the amount of incentives in Plant in Service. Therefore, the information provided in this response relates to incentive compensation amounts recorded to those work-in-progress accounts only. The amount of short-term incentive expense billed to SWEPCO in capital accounts, for each plan, for the years 2015-2019 were:

Plan	2015	2016	2017	2018	2019
Executive/Staff/Other	1,371,378	1,164,952	852,416	2,132,946	1,747,770
Generation	1,824,936	1,655,099	540,819	873,944	1,262,591
Transmission	1,446,970	1,179,479	929,796	1,367,785	1,982,943
Distribution/Performance Management	-	-	-	-	230,407
Grand Total	**4,643,284**	**3,999,530**	**2,323,031**	**4,374,675**	**5,223,711**

Please see below for the write-off of the capitalized AEPSC incentives based on financial measures, per PUC Docket 46449, by Plan and Year (this represents the TX jurisdictional portion):

Plan	2015	2016	2017	2018	2019
Executive/Staff/Other	(350,715)	(333,667)	(234,535)	(227,629)	(369,811)
Generation	-	-	-	(105,801)	(150,683)
Transmission	(98,679)	(80,437)	(31,704)	(206,681)	(280,604)
Distribution/Performance Management	-	-	-	-	(32,604)
	(449,394)	(414,104)	(266,239)	(540,110)	(833,703)

g. The total amount of short-term incentive expense billed to SWEPCO, for each plan, for the years 2015-2019 were:

Plan	2015	2016	2017	2018	2019
Executive/Staff/Other	9,449,239	8,130,327	4,703,482	8,679,873	9,419,436
Generation	3,799,223	4,005,176	1,957,809	3,345,978	4,742,086
Transmission	2,506,065	2,077,863	1,406,985	2,138,959	3,121,879
Distribution/Performance Management	-	-	-	-	587,121
Grand Total	**15,754,527**	**14,213,366**	**8,068,275**	**14,164,809**	**17,870,522**

h. The Company's employee total compensation does not have a "bonus plan" therefore "bonuses" are not paid. Employees have a total compensation pay package that is earned as base and incentive compensation pay. The incentive compensation earned by employees by goal achievement is merely the variable portion of their total pay that is at risk. This compensation design motivates employees and provides needed pay that causes employee total compensation to attain the reasonable market-competitive level that is required. The target value amount of employee incentive compensation pay is a critical component of the market-competitive total compensation package, which the Company uses to attract and retain qualified employees. The amount of short-term incentive expense billed to SWEPCO, in cost of service accounts, by plan, by month for the years 2015-2019 were:

Plan	Period	2015	2016	2017	2018	2019
Executive/Staff/Other	1	10,273	317,465	(191,903)	(79,167)	(665,521)
	2	332,687	395,269	390,504	418,142	315,898
	3	426,659	371,795	104,528	297,841	445,513
	4	328,373	313,696	221,975	314,418	316,382
	5	320,813	317,530	261,998	310,854	339,394
	6	856,339	354,059	239,407	544,210	357,307
	7	508,486	324,438	246,930	427,051	329,728
	8	499,579	337,893	235,207	412,558	335,313
	9	1,327,962	688,614	(44,876)	604,145	1,617,166
	10	742,635	465,744	108,575	610,389	168,104
	11	754,058	446,735	131,138	699,589	571,278
	12	800,500	1,648,079	1,667,285	1,246,661	2,253,598
Executive/Staff/Other Total		**6,908,364**	**5,981,317**	**3,370,769**	**5,806,687**	**6,384,160**
Generation	1	(49,482)	118,541	391,723	312,723	678,297
	2	84,304	198,173	14,254	136,548	143,407
	3	68,631	169,949	29,174	163,500	91,636
	4	111,719	111,610	139,791	138,601	142,721
	5	84,574	117,617	102,379	142,852	146,898
	6	242,723	108,955	99,591	304,121	135,207
	7	141,535	118,292	97,329	141,861	152,786
	8	144,905	120,821	104,422	184,444	153,879
	9	486,803	234,221	(89,756)	310,318	78,284
	10	269,168	164,633	100,731	232,878	569,499
	11	250,799	150,760	45,789	300,683	233,725
	12	(44,416)	533,382	253,173	(139,601)	667,183
Generation Total		**1,791,263**	**2,146,954**	**1,288,600**	**2,228,927**	**3,193,521**
Transmission	1	34,314	45,758	116,865	97,070	227,706
	2	32,543	45,346	83,843	50,623	44,969
	3	48,481	46,626	(82,027)	43,817	75,869
	4	37,198	43,959	118,444	44,475	45,804
	5	36,562	45,018	26,556	47,282	43,374
	6	95,812	50,146	28,572	190,211	42,435
	7	56,867	46,806	22,742	(49,460)	42,490
	8	63,812	42,162	21,578	55,338	50,030
	9	201,807	96,352	(153,572)	147,613	42,922
	10	117,752	68,900	148,073	25,747	181,074
	11	110,990	63,777	24,653	91,664	80,477
	12	169,914	268,035	104,886	(28,927)	188,037
Transmission Total		**1,006,052**	**862,885**	**460,614**	**715,455**	**1,065,186**
Distribution/Performanc	1					10,165
	2					19,631
	3					14,897
	4					10,697
	5					16,263
	6					31,539
	7					14,638
	8					14,373
	9					19,305
	10					62,807
	11					27,087
	12					113,608
Distribution/Performance Management Total		-	-	-	-	**355,009**
	Grand Total	**9,705,679**	**8,991,156**	**5,119,982**	**8,751,070**	**10,997,876**

i. The Company's employee total compensation does not have a "bonus plan" therefore "bonuses" are not paid. Employees have a total compensation pay package that is earned as base and incentive compensation pay. The incentive compensation earned by employees by goal achievement is merely the variable portion of their total pay that is at risk. This compensation design motivates employees and provides needed pay that causes employee total compensation to attain the reasonable market-competitive level that is required. The target value amount of employee incentive compensation pay is a critical component of the market-competitive total compensation package, which the Company uses to attract and retain qualified employees. Please see CARD_4-18_Attachment 4.xlsx for pro forma adjustments to amounts billed to SWEPCO in cost of service accounts, during the test year, by plan.

j. The Company's employee total compensation does not have a "bonus plan" therefore "bonuses" are not paid. Employees have a total compensation pay package that is earned as base and incentive compensation pay. The incentive compensation earned by employees by goal achievement is merely the variable portion of their total pay that is at risk. This compensation design motivates employees and provides needed pay that causes employee total compensation to attain the reasonable market-competitive level that is required. The target value amount of employee incentive compensation pay is a critical component of the market-competitive total compensation package, which the Company uses to attract and retain qualified employees. Please see CARD_4-18_Attachment_3.xlsx for jurisdictional allocation percentages by FERC account. The Cost of Service allocations are based on FERC Accounts not incentive plans.

k. The amount of payroll tax billed to SWEPCO in cost of service accounts, during the test year, by plan were:

Plan	Amount
Executive/Staff/Other	339,100
Generation	220,396
Transmission	72,623
Distribution & Performance Management	27,600
	659,720

CARD 4-18 Attachments 1 through 4 are available electronically on the PUC Interchange.

Prepared By: Frances K. Bourland — Title: Regulatory Acctg Case Mgr

Prepared By: Brian J. Frantz — Title: Dir Accounting

Sponsored By: Brian J. Frantz — Title: Dir Accounting

Sponsored By: Andrew R. Carlin — Title: Dir Comp & Executive Benefits

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-19:
Incentive compensation: For each long-term incentive compensation plan and stock based incentive plan for which any expense is included in SWEPCO's pro forma cost of service, please provide the information for (1) SWEPCO long-term and stock-based plans, and (2) AEPSC long-term and stock-based plans allocated to SWEPCO:

a. Please provide a description of each plan.
b. Provide a description of each of the goals or performance measures for each plan.
c. Provide the amount awarded in the test year for each goal or performance measure, by plan.
d. Provide the amount included in pro forma operating expense for each goal or performance measure for each plan.
e. Provide the amount included in operating expenses for each plan for each year 2015 through 2019.
f. Provide the amount capitalized for each plan for each year 2015 through 2019.
g. For each plan, show the amounts and dates of each incentive award or payment for each year 2015 through 2019:
h. For each month 2015 through 2019, provide the amount included in operating expenses for each plan.
i. Provide the amount of any adjustments related to each plan.
j. Provide the jurisdictional allocation factors for each plan.
k. Please provide the amount of payroll taxes associated with each plan in the test year.

Response No. CARD 4-19:

(1a), (1b), (2a) and (2b) - Please see CARD_4-19_Attachment_2.pdf for a description of the long-term incentive plan and RSUs granted under it for 2019 and 2020, respectively. RSUs are the only long-term incentive awards included in the pro forma cost of service.

(1) (c-k) Please see CARD_4-19_Attachment_1.xlsx for the SWEPCO long-term incentive information requested.

(2) (c-k) All answers below relate to AEPSC long-term and stock-based plans allocated to SWEPCO:

c. The only long-term incentive compensation included in SWEPCO's pro forma cost of service is the Restricted Stock Unit (RSU) plan. There are no performance measures associated with the RSU awards. The amount billed to SWEPCO during the test year was $1,336,872.
d. The amount of RSU expense billed to SWEPCO in cost of service accounts during the test year was $873,584.

e. The amount of RSU expenses billed to SWEPCO in cost of service accounts for the years 2015-2019 were:
2015 - $978,780
2016 - $999,574
2017 - $950,493
2018 - $805,983
2019 - $846,037

f. The amount of RSU expenses billed to SWEPCO in capital accounts for the years 2015-2019 were:
2015 - $278,004
2016 - $274,345
2017 - $240,807
2018 - $285,341
2019 - $305,078

g. The total amount of RSU expenses billed to SWEPCO for the years 2015-2019 were:
2015 - $1,378,499
2016 - $1,406,967
2017 - $1,300,878
2018 - $1,230,030
2019 - $1,298,995

h. The amount of RSU expenses billed to SWEPCO in cost of service accounts for the years 2015-2019 by month were:

Period	**2015**	**2016**	**2017**	**2018**	**2019**
1	88,149	84,790	64,372	48,030	58,724
2	73,346	96,203	79,352	51,301	68,862
3	98,339	129,112	120,637	105,519	71,012
4	102,863	97,239	109,235	87,907	103,689
5	73,570	74,482	98,489	63,229	69,394
6	88,584	80,542	101,596	60,518	67,155
7	91,730	79,510	87,133	64,447	61,740
8	82,272	65,195	13,731	63,857	66,528
9	51,420	70,150	71,865	63,286	74,314
10	82,545	70,818	65,631	65,652	72,821
11	65,213	67,152	74,484	65,591	64,255
12	80,749	84,381	63,967	66,647	67,543
Grand Total	**978,780**	**999,574**	**950,493**	**805,983**	**846,037**

i. The amount of pro-forma adjustments in the test year related to the RSU plan was $(31,406).
j. Please see CARD 4-18 Attachment 3 for allocators by FERC account. In the Cost of Service, allocations are based on FERC Accounts not incentive plans.
k. There are no payroll taxes accrued throughout the test year for the RSU plan.

CARD 4-19 Attachments 1 and 2 are available electronically on the PUC Interchange.

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Sponsored By: Brian J. Frantz	Title: Dir Accounting
Sponsored By: Andrew R. Carlin	Title: Dir Comp & Executive Benefits
Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-20:

Incentive Compensation: Please identify each Company incentive compensation plan which uses an Earnings Per Share ("EPS") modifier, and provide the following information for each:

a. What was the EPS modifier for the years 2015 through 2019?
b. Is an EPS modifier of (-0-) or a negative number possible?
c. How is the EPS modifier determined?

Response No. CARD 4-20:

a. For the years 2013 through 2019 the Operating EPS funding measure and the Modifier were separate and distinct factors in the Company's short-term incentive plans and there was not an "EPS Modifier". This is because incentive plan funding was based on additional performance measures, rather than solely based on Operating EPS for these years. The table below shows the operating EPS scores, Overall Funding Scores, Average Operating (unit) Performance Score (AOPS) and the Modifier for the years 2015 through 2019.

Year	Operating EPS Score	Operating EPS Funding Weight	Overall Funding Score	Average Operating (Unit) Performance Score (AOPS)	Modifier
2015	200.0%	75.0%	182.2%	143.2%	127.2%
2016	195.5%	75.0%	170.5%	158.8%	107.4%
2017	84.0%	70.0%	92.0%	155.3%	59.2%
2018	164.7%	70.0%	144.9%	162.6%	89.1%
2019	195.5%	70.0%	172.3%	173.5%	99.3%

b. It is possible for the EPS score and the Modifier to be zero but negative numbers are not possible.

c. As stated in a. above the Company's short-term incentive plan did not have an "EPS Modifier" during these years because the calculation was changed to include performance measures other than AEP's Operating EPS.

The Modifier is a normalizing function that allocates the available funding budget to each business unit and operating company based on each group's relative performance score. Its purpose is to create an average score for all participants that exactly allocates all the available funding based on each group's performance. This insures that the sum of all awards equals the funding available based on the funding scores and that the funding is neither overspent or underspent.

The Modifier is calculated as the Funding Score divided by the Average Operating (unit) Performance Score (AOPS) for all incentive plans as shown below:

Funding Score* ÷ AOPS# = Modifier

*The Funding Score is the weighted average score for each funding measure

AOPS (Average Operating (unit) Performance Score) is the employee target weighted average of the Operating goal scores for each participating operating company and business unit.

Prepared By: Andrew R. Carlin Title: Dir Comp & Executive Benefits

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-21:

Incentive Compensation: To what extent is the payment of incentive compensation to employees at the discretion of AEP management?

Response No. CARD 4-21:

It would not be in the Company's interest to discretionarily reduce incentive compensation payouts without good cause because doing so would reduce its perceived value to employees and incentive comp is an integral component of the market-competitive compensation package the Company offers to current and prospective employees. Such an adjustment would impair employees' perceptions of the value and market competitiveness of their total compensation package, which, in turn, would impair the Company's ability to attract, motivate, engage and retain the employees it needs to operate its utility business efficiently and effectively. Employee attrition would increase as a result, particularly among the Company's highest performing employees, and this would likely lead to reduced Company performance and increased overall costs due to the high cost and lost productivity associated with replacing and training new employees. In part due to these concerns, the Company's incentive compensation programs have consistently been funded at least at target levels for many prior years, with few exceptions and without such adjustments. However, as with all Company disbursements, AEP management or the HR Committee of AEP's Board of Directors have discretion over if and the extent to which incentive compensation is paid.

Prepared By: Andrew R. Carlin Title: Dir Comp & Executive Benefits

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-22:

Incentive Compensation: To what extent is the payment of incentive compensation to employees at the discretion of SWEPCO management?

Response No. CARD 4-22:

SWEPCO management has the discretion to increase or reduce annual incentive compensation awards for individual SWEPCO employees, provided that the SWEPCO award pool is not exceeded or significantly underspent. This SWEPCO award pool is the sum of the calculated annual incentive awards for SWEPCO employees.

It would not be in SWEPCO's interest to discretionarily reduce incentive compensation payouts without good cause because doing so would reduce its perceived value to employees. This is because doing so would impair employees perceptions of the value and market competitiveness of their total compensation package, which, in turn, would impair the Company's ability to attract, motivate, engage and retain the employees it needs to operate its utility business efficiently and effectively. Employee attrition would increase as a result, particularly among the Company's highest performing employees, and this would likely lead to reduced Company performance and increased overall costs due to the high cost and lost productivity associated with replacing and training new employees. In part due to these concerns, the Company's incentive compensation programs have consistently been funded at least at target levels for many prior years, with few exceptions. SWEPCO management does not have discretionary authority over incentive compensation payouts in their capacity as SWEPCO management. However, AEP management, who also serve as SWEPCO's board of directors and in SWEPCO management positions, does have discretionarily authority over incentive compensation payouts in their AEP management capacity. This is no different than management's authority over all other types of disbursements.

Prepared By: Andrew R. Carlin — Title: Dir Comp & Executive Benefits

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-23:

Incentive accounting: Please provide the journal entries used for any stock-based incentive plans, including the initial entries when the compensation is awarded and the entries at the vesting date and the entries needed if stock is forfeited.

Response No. CARD 4-23:

No journal entries are recorded when stock-based incentive compensation is initially awarded, vests, or is forfeited. When stock-based incentives are awarded, the book expense of those shares of stock is determined and that value is distributed evenly over the life of the award as an overhead applied to labor charges. These valuations are reviewed periodically during the life of the award with any resulting adjustment flowing through the overhead process. Once the awards vest, they are paid out through the payroll system with any true up between the value used for the accrual and the value at the time of the payout included in future overheads. When awards are forfeited, the related accrued amount is included in the true up process.

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-24:

Outside Services: Please provide an analysis of the amount of any adjustments to outside services showing the amount of the adjustment for each service provider.

Response No. CARD 4-24:

Please see CARD_4-24_Attachment_1_(Outside_Services_Adj).xlsx for an analysis of the amount of adjustments to outside services, detailing the amount of the adjustment for each service provider. These adjustments were made in conjunction with SWEPCO's adjustments at A-3.6 (Misc Riders) and A-3.19 (Regulatory Expenses).

Please see CARD_4-24_Attachment_2.xlsx for an analysis of the amount of adjustments to outside services, detailing the amount of the adjustment for each service provider, for AEPSC outside services charges billed to SWEPCO during the Test Year in Cost of Service Accounts.

CARD 4-24 Attachments 1 and 2 are available electronically on the PUC Interchange.

Prepared By: Aaron C. Thomas	Title: Regulatory Acctg Case Mgr
Prepared By: Tiffany A. Powell Day	Title: Regulatory Acctg Case Mgr
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Sponsored By: Brian J. Frantz	Title: Dir Accounting

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-25:

Outside Services: Please provide an analysis of outsider services showing the amounts for each service provider during each of the three years preceding the test year.

Response No. CARD 4-25:

Please see CARD_4-25_Attachment_1.xlsx for listing of outside services by vendor name for the years 2016-2018 and for the period Jan 1, 2019 through March 31, 2019.

Please see CARD_4-25_Attachment_2.xlsx for listing of outside services by vendor name of AEPSC billings to SWEPCO in cost of service accounts for the years 2016-2018 and for the period Jan 1, 2019 through March 31, 2019.

CARD 4-25 Attachments 1 and 2 are available electronically on the PUC Interchange.

Prepared By: Aaron C. Thomas	Title: Regulatory Acctg Case Mgr
Prepared By: Brian J. Frantz	Title: Dir Accounting
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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-26:

Injuries and Damages: Please provide the amounts for Injuries and Damages Expense for each year 2011 through 2019 and for the test year. Also please identify any adjustments the Company proposed to this expense and the pro forma amount included in the revenue requirement.

Response No. CARD 4-26:

CARD_4-26_Attachment_1.xlsx provides amounts for Injuries and Damages FERC account 925 for years 2011 to 2019 and the test year. It also shows test-year adjustments made by the Company to this expense account.

CARD 4-26 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-27:

Injuries and Damages: Please provide an analysis of the account Injuries and Damages Expense (or its related reserve account if appropriate) showing the amount paid for each settlement or court award during the test year and during each of the three years preceding the test year. For each claim identified provide an explanation of the incident that gave rise to the claim, why that claim should be recovered from ratepayers, and the amount included in the pro forma total Company and jurisdictional revenue requirement.

Response No. CARD 4-27:

Account 9250 includes the cost of insurance or reserve accruals to protect the Company against injuries and other damage claims from injuries and damages by employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damage claims. Reimbursements from insurance companies or others for expenses charged and insurance dividends or refunds are also credited to the account. The following table summarizes the entries balances in the account for 2017 to 2019 and the test year.

Description	**2017**	**2018**	**2019**	**Test Year**
Accounts Payable Accrual	238,733	383,436	234,089	227,608
Amortize Prepaid Insurance	4,037,361	3,889,575	4,128,291	4,172,564
Intercompany Billing	(33,684)	354,444	(464,745)	(260,775)
Other	(46,110)	(173,772)	(62,622)	(269,583)
Workers Compensation	156,053	937,301	(392,024)	(212,137)
Grand Total	**4,352,353**	**5,390,984**	**3,442,989**	**3,657,677**

- Accounts payable accrual includes accruals made for premiums made to insurance companies mainly for workers compensation
- Amortized prepaid insurance comprises of monthly amortization of prepaid insurance Workers Compensation: The Company is, for most cases, self-insured for workers compensation for up to $500,000 per incident and $150,000 for Jones Act claims. Claims in excess of these limits are submitted to an excess insurance carrier. Each month, the company calculates and updates its Reserves with an entry to the 925 account. Amounts in the table above comprises of entries made each year and includes fringe benefit loadings. Amounts paid for workers compensation for the above years are included in CARD 4-27 Attachment 1 (HIGHLY SENSITIVE).

The attachment responsive to this request is HIGHLY SENSITIVE under the terms of the Protective Order. Due to current restrictions associated with COVID-19, this information is being provided electronically and a secure login to access the information will be provided upon request to individuals who have signed the Protective Order Certification.

Prepared By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-28:

General: Please provide copies of the Company's FERC Form 1 Report for the most recent two calendar years.

Response No. CARD 4-28:

CARD_4-28_Attachment_1_FERC_Form_1_2018.pdf and CARD_4-28_Attachment_2_FERC_Form_1_2019.pdf provide SWEPCO's FERC Form 1 Report for 2018 and 2019, the two most recent calendar years.

CARD 4-28 Attachments 1 and 2 are available electronically on the PUC Interchange.

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Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-29:

General: Please provide the O&M expenses by FERC account for the test year and for each of the three years preceding the test year. Please provide the response in Excel-compatible format with fully functional formulas.

Response No. CARD 4-29:

CARD_4-29_Attachment_1_O&M_by_FERC_Account.xls provides O&M expenses by FERC account in Excel for 2017, 2018, 2019 and the test year.

CARD 4-29 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: James D. Spring — Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-30:

ADIT: Please provide an analysis showing the impact on accumulated deferred income taxes of each of the Company's proposed adjustments to plant in service. Please provide an explanation for each proposed plant adjustment that does not have an impact on accumulated deferred income taxes and explain which plant additions do not qualify for the special depreciation allowance and why. Please provide the response in Excel-compatible format with fully functional formulas.

Response No. CARD 4-30:

The Company's only proposed adjustments to plant in service relate to jurisdictional AFUDC differences as explained in the direct testimony of Michael A. Baird (pages 39 through 40). Please see G 7.4b CALCULATIONS, for the ADIT adjustment related to the AFUDC adjustment B-1.5.10 (AFUDC).
Only plant additions that began construction before September 28, 2017 continue to be eligible for 50%, 40%, or 30% bonus depreciation under the bonus depreciation regime in place before the Tax Cuts and Jobs Act (TCJA). The TCJA amended IRC Section 168(k) to allow certain businesses to write off 100% of depreciable assets however property acquired by public utilities is not considered to be qualifying property as indicated under IRC Section 168(k)(9)(A).

Prepared By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr
Prepared By: James D. Spring	Title: Regulatory Acctg Case Mgr
Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch
Sponsored By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-31:

EDIT: Please provide an analysis calculating the balance of Excess ADIT ("EDIT") at January 1, 2018 showing both the protected and unprotected balances in detail. Please provide the response to this request in Excel-compatible format with all formulas fully functional and intact.

Response No. CARD 4-31:

See CARD_4-31_Attachment_1.xlsx for the initial calculation of excess ADFIT at January 1, 2018.

CARD 4-31 Attachment 1 available electronically on the PUC Interchange.

Prepared By: Jessica M. Criss	Title: Tax Analyst Prin
Sponsored By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-32:

EDIT: Please provide and explain any adjustments, corrections, and any other changes to the balance and amortization of EDIT since January 1, 2018.

Response No. CARD 4-32:

See CARD_4-32_Attachment_1.xlsx for a walk-forward of the excess ADFIT balance from the initial balance at 1/1/2018 to the projected balance at 12/31/2020. This walk-forward includes three different adjustments made to the initial balance:

1. The proforma adjustments related to the NOL carryforward as presented in this case and discussed by Company witness Mr. Hodgson. (Lines 3-4, 9, and 13)
2. The Company filed amended returns for years prior to 2017 which resulting in additional ADFIT which was remeasured to 21% and generated additional excess (Line 6)
3. Return-to-Provision true up entries (Lines 7 and 11). There are two types of RTP adjustments. The first relates to the change in the ADFIT to be remeasured at 12/31/2017 due to changes in the 2017 Schedule M's per the return vs. Schedule M's at Provision. The second relates to adjustments to the amortization of excess with the final tax return data.

CARD 4-32 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Jessica M. Criss	Title: Tax Analyst Prin
Sponsored By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-33:

EDIT: Please provide the ARAM amortization of the protected EDIT allowed under the Tax Cuts and Jobs Act in 2018 and in 2019.

Response No. CARD 4-33:

See CARD 4-32 Attachment 1 Lines 2 and 8.

Prepared By: Jessica M. Criss	Title: Tax Analyst Prin
Sponsored By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-34:

EDIT: Please provide the expected ARAM amortization of the protected EDIT allowed under the Tax Cuts and Jobs Act in each year 2020 through 2029 based on current knowledge and assumptions.

Response No. CARD 4-34:

See CARD 4-32 Attachment 1 for the projected ARAM amortization of the protected excess ADFIT for years 2020 through 2022. The Company has not projected the ARAM amortization beyond those years so it is not able to provide the information for years 2023 through 2029.

Prepared By: Jessica M. Criss	Title: Tax Analyst Prin
Sponsored By: David A. Hodgson	Title: Tax Acctg & Reg Support Mgr

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-35:

Revenue: Please provide a copy of all spreadsheets, models, work papers, and documentation related to all revenue adjustments if not previously provided in the Company's filed exhibits. The spreadsheets and models should be provided in Excel-compatible format and be fully functional with all formulas intact.

Response No. CARD 4-35:

The requested information has been provided in fully functional format as workpapers to Schedule O filed with the native files of Company's RFP, and in the Company's response question to TIEC 2-1 (the billing determinant excel files).

Prepared By: Earlyne T. Reynolds	Title: Reg Pricing & Analysis Mgr
Sponsored By: John O. Aaron	Title: Dir Reg Pricing & Analysis

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-36:

Revenue: Please describe the method used to normalize revenue for weather and provide the weather normalization spreadsheets, models, work papers, and documentation if not provided in response to the previous question.

Response No. CARD 4-36:

A description of the calculations for the weather impacts to kWh sales can be found on page 4 of Company witness Chad Burnett's direct testimony in this case. Support documentation for the retail weather parameters used in these calculations can be found in the Company's publicly filed schedules "O-2.1 SWEPCO Retail Usage Model Statistics 2019" and "O-2.1 SWEPCO Retail Usage Model Statistics 2020." The Company performs all of its calculations of weather impacts to kWh sales using the statistical software SAS. Nevertheless, the Company's response to STAFF 3-1 provides a spreadsheet depicting the calculations performed to arrive at the weather impacts on kWh sales filed by the Company.

Prepared By: Glenn R. Newman　　Title: Economic Forecast Anlyst Staff

Sponsored By: Chad M. Burnett　　Title: Dir Economic Forecasting

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-37:

Pension regulatory assets and liability: Please provide an analysis of the pension regulatory asset or liability providing the following information:

a) A narrative describing the history of the regulatory asset or liability;
b) The level of pension expense included in rates in each year since inception;
c) The amount of pension expense each year;
d) The beginning asset or liability balance and each year ending balance;
e) The amounts for items b) through d) for each month after the test year through the latest date available; and
f) The expected return on plan assets for 2018, 2019 and 2020.

Response No. CARD 4-37:

SWEPCO does not have any pension regulatory assets or liabilities utilized in the ratemaking process. SWEPCO does have a pension prepayment that is used in the ratemaking process and SWEPCO continues to follow PUCT precedent on this issue as discussed in the direct testimony of Michael A. Baird, pages 14 through 17, pages 25 through 26, page 45, and pages 55 through 57.

Prepared By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird — Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-38:

Retirement plans: Please provide a narrative describing any changes to the Company's retirement plans or post-retirement benefits after the beginning of the test year and continuing through the latest date after the end of the test year.

Response No. CARD 4-38:

The Company has not modified its retirement plans or post-retirement benefits since the beginning of the test year and does not have any definitive plans to do so.

Prepared By: Susan I. Scheer — Title: Benefits Consultant

Sponsored By: Andrew R. Carlin — Title: Dir Comp & Executive Benefits

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-39:

Retirement plans: Please provide a narrative describing any changes the Company plans to make to any of its retirement plans or post-retirement benefits within the two years after the end of the test year.

Response No. CARD 4-39:

The Company has no definitive plans to modify any of its retirement plans or post-retirement benefits within the two years after the end of the test year.

Prepared By: Susan I. Scheer	Title: Benefits Consultant
Sponsored By: Andrew R. Carlin	Title: Dir Comp & Executive Benefits

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-40:

Retirement plans: Please quantify the savings which have been achieved or that are expected to be achieved from changes to Company's retirement plans or post-retirement benefits.

Response No. CARD 4-40:

The Company has no expectation of any savings because it has not recently modified its retirement plans or post-retirement benefits and has no definitive plans to do so.

Prepared By: Susan I. Scheer	Title: Benefits Consultant
Sponsored By: Andrew R. Carlin	Title: Dir Comp & Executive Benefits

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO CITIES ADVOCATING REASONABLE DEREGULATION'S FOURTH SET OF REQUESTS FOR INFORMATION

Question No. CARD 4-41:

Retirement plans: Please provide copies of the actuary reports supporting the test year level of pension costs for each retirement plan or post-retirement benefits.

Response No. CARD 4-41:

Please see Exhibit MAB-3 to the direct testimony of Mr. Michael Baird for the 2020 actuarial reports supporting the test year level of pension and post-retirement healthcare plan costs. The amounts supporting these costs can be found at WP/A-3.10 (Pension Expense) and WP/A-3.11 (OPEBS SFAS 106). The level supporting pension costs is found on Page 77 of MAB-3. The level supporting OPEB costs is found at Page 133 of MAB-3. Please note WP/A-3.11 submitted with the RFP included a link for the actuarial valuation amount that was inadvertently updated to an incorrect amount. A corrected version of WP/A-3.11 is submitted as CARD_4-41_Attachment_1_(WP_A-3.11).xlsx. The adjustment and pro forma amount as included in SWEPCO's cost of service at Schedule A-3 and WP/A is correct. Only the supporting workpaper was incorrect.

The 2018 and 2019 actuarial valuation reports supporting post-employment benefits as calculated at WP/A-3.12 (Post Employment SFAS 112) are included as attachments CARD 4-41 Attachments 2 and 3. The 2018 amount is shown at Page 30 of Attachment 2, and the 2019 amount is shown at Page 30 of Attachment 3.

CARD 4-41 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Tiffany A. Powell Day	Title: Regulatory Acctg Case Mgr
Sponsored By: Michael A. Baird	Title: Mng Dir Acctng Policy & Rsrch

American Electric Power

Postemployment Benefit Plans

Actuarial Valuation Report
Postemployment Benefit Obligations as of December 31, 2017, under U.S. GAAP

May 2018

WillisTowersWatson

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Purposes of valuation

American Electric Power (AEP) retained Towers Watson Delaware Inc. ("Willis Towers Watson") to perform an actuarial valuation of some of its postemployment benefit programs, including Long-Term Disability (income replacement), life insurance and health benefit continuation plans for employees receiving Long-Term Disability (LTD) benefits and health benefit continuation plans for COBRA beneficiaries (the Plan).

As requested by the Company, this report provides information for year-end financial reporting purposes required by FASB Accounting Standards Codification Topic 712 (ASC 712-10) for your fiscal year ending December 31, 2017

The exhibits present year-end financial reporting information in accordance with ASC 712-10 including net balance sheet position of the Plan, current year expected cash flow, plan asset information, participant information, the plan provisions on which the valuation is based, and the actuarial assumptions and methods used in the calculations.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following

1 There may be certain events that have occurred since the valuation date that are not reflected in the current valuation

2 This report does not provide information for plan reporting under ASC 965

3 This report does not determine obligations on a plan termination basis, for which a separate extensive analysis would be required No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations

4 The comparisons of accounting obligations to assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due

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Section 1 : Summary of key results

Benefit obligations & assets

All monetary amounts shown in US Dollars

Measurement Date		December 31, 2017	December 31, 2016
Plan Assets	Fair Value of Assets (FVA)	1,167,586	387,434
Benefit Obligations	Postemployment Benefit Obligation	(73,052,594)	(80,103,618)
Funded Position	FVA minus Obligation	(71,885,008)	(79,716,184)
Funded Ratios	FVA to Obligation	1 6%	0 5%
Assumptions	Discount rate	2 25%	2 15%
	Current health care cost trend rate	6 50%	6 75%
	Ultimate health care cost trend rate	5 00%	5 00%
	Years to ultimate trend rate	6	7
Participant Data	Census Date	12/31/2017	12/31/2016

Comments on results

The funded position decreased from $(79,716,184) to $(71,885,008) Significant reasons for the changes in benefit obligation since the prior year include the following.

- Plan costs and contribution rates increased by less than was expected, which decreased the benefit obligations.
- The disability termination assumptions, which projects the rate at which disabled participants leave disability (either due to recovery or death) was updated from a table based on a 1987 study to a table reflecting experience published in 2012, adjusted for results from a study published in 2016 The updated recovery component resulted in a decreased benefit obligation, but for the life insurance benefits, this was more than offset by an increase in the benefit obligation due to the updated mortality component
- The discount rate, based on U.S Treasury constant maturity yields, increased from 2 15% to 2 25%, resulting in a decrease to benefit obligations

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation Appendix B summarizes our understanding of the principal provisions of the plans being valued Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date

Changes in assumptions

- Plan cost rates, employee contribution rates, and COBRA rates for 2018 have been used as a basis for this valuation
- The discount rate has been updated to reflect Treasury Constant Maturities of as December 31, 2017, which increased the rate from 2 15% as of December 31, 2016, to 2 25% as of December 31, 2017.
- The disability termination assumption has been updated from the 1987 CGDT to the 2012 GLTD reflecting improvements from the 2016 GLTD experience study

Changes in methods or estimation techniques

None.

Changes in benefits valued

None

Subsequent events

None.

Additional information

None

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

Reliances

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, participants, claims data, monthly contribution rates and plan assets (if any) provided by the Company and other persons or organizations designated by the Company. We have relied on all the data and information provided as complete and accurate We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations

We have relied on all the information provided as complete and accurate. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is December 31, 2017. The benefit obligations were measured as of the Company's December 31, 2017, fiscal year end and are based on participant data as of the census date, which is displayed in Section 3

Plan assets and balance sheet adjustments

Information about the fair value of plan assets was furnished to us by the Company. Willis Towers Watson used information supplied by the Company regarding postemployment benefit asset and postemployment benefit liability as of December 31, 2017 These data were reviewed for reasonableness and consistency, but no audit was performed.

Assumptions and methods under U.S. GAAP

As required by U.S GAAP, the actuarial assumptions and methods employed in the development of the postemployment benefit liability have been selected by the Company Willis Towers Watson has concurred with these assumptions and methods. U S GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions

A summary of the assumptions and methods used is provided in Appendix A Note that any subsequent changes in methods or assumptions for the December 31, 2017 measurement date will change the results shown in this report.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued Assumptions may have been made, in consultation with AEP, about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities are treated appropriately, and are not excluded or included inappropriately Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision; by their nature, actuarial calculations are not precise.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including. plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements, and changes in plan provisions or applicable law It is beyond the scope of this valuation to analyze the potential range of future postretirement welfare contributions, but we can do so upon request. Postemployment group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates Small variations in these approximations and estimates may lead to significant changes in actuarial measurements

Limitations on use

This report is provided subject to the terms set out herein and in our master consulting services agreement dated July 29, 2004, and any accompanying or referenced terms and conditions

The information contained in this report was prepared for the internal use of AEP and its auditors in connection with our actuarial valuation of the postemployment benefit plan as described in Purposes of Valuation above It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. AEP may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require AEP to provide them this report, in which case AEP will use best efforts to notify Willis Towers Watson in advance of this distribution Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents

Professional qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meets their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postemployment benefit plans Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.

John Igrec

Martin P Franzinger, ASA, MAAA Pricing Specialist and Valuation Actuary	John Igrec, FSA Valuation Actuary

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Section 2: Postemployment benefits obligation

This report summarizes the financial results for AEP's postemployment benefit plan, including the effect of the Medicare Part D subsidy, based upon an actuarial valuation of the income, life insurance and health care continuation benefits during long-term disability and COBRA as of December 31, 2017. The accounting for the benefits not attributable to employee service income, life insurance and contributory health care continuation is subject to ASC 450-20 (formerly FAS 5) for benefits that do not accumulate.

Benefits That Do Not Vest or Accumulate (ASC 450: Formerly FAS 5)	December 31, 2017	December 31, 2016
Benefit Obligation and Funded Status		
Health care and life insurance continuation benefits during LTD		
■ Medical benefits	$ 30,326,825	$ 37,462,641
■ Basic life insurance	7,739,050	5,928,316
■ Supplemental life insurance	7,335,696	4,952,023
■ Dental benefits	631,414	735,710
Total benefit obligation	$ 46,032,985	$ 49,078,690
Plan assets	0	0
Unfunded liability	$ 46,032,985	$ 49,078,690
Income replacement (LTD) plan		
Benefit obligation	$ 26,766,228	$ 30,576,188
Plan assets	(1,167,586)	(387,434)
Unfunded liability	$ 25,598,642	$ 30,188,754
COBRA		
Benefit obligation	$ 253,381	$ 448,740
Plan assets	0	0
Unfunded liability	$ 253,381	$ 448,740
Total		
Benefit obligation	$ 73,052,594	$ 80,103,618
Plan assets	(1,167,586)	(387,434)
Unfunded liability	$ 71,885,008	$ 79,716,184

Change in Unfunded Liabilities from Prior Year

In total, our calculations of FASB ASC 712 unfunded liability as of December 31, 2017, for the postemployment benefits that Willis Towers Watson values is $71.9 million which was a slight decrease from the total liability as of December 31, 2016.

Summary of Unfunded Liability Increase/(Decrease)

Non-UMWA

■ Health Care and Life Insurance Continuation for LTD Claimants	$	(3 0) million
■ LTD Income Replacement		(4 6) million
■ COBRA		(0 2) million
Total	$	(7 8) million

The discount rate has increased from 2 15% to 2.25% and is determined based on a duration matching approach using a risk-free bond universe The duration of AEP's postemployment benefit plan, excluding COBRA and severance benefits, is 3.67 years as of December 31, 2017. The changes in liabilities are analyzed below for each benefit.

Health Care and Life Insurance Continuation for LTD Claimants

During 2017, the liability estimate for these benefits decreased from $49.1 million to $46 0 million This $3.1 million decrease results from the following factors·

	Medical	Life Insurance	Dental	Total
December 31, 2016, Liability	37,462,641	10,880,339	735,710	49,078,690
Increase/(Decrease) due to:				
Normal operation of the plan	3,120,565	570,445	25,925	3,716,935
Claims experience	(3,518,420)	64,791	(11,711)	(3,465,340)
Demographic experience	(4,089,540)	(1,152,934)	(51,575)	(5,294,049)
Termination rate assumption changes	(2,539,867)	4,765,351	(64,177)	2,161,307
Economic assumption changes	(108,554)	(53,246)	(2,758)	(164,558)
December 31, 2017, Liability	30,326,825	15,074,746	631,414	46,032,985

LTD Income Replacement

During 2017, the liability estimate (under ASC 712) decreased from $30 6 million to $26 8 million This $3 8 million decrease results from the following factors.

December 31, 2016, Liability	30,576,188
Increase/(Decrease) due to·	
Normal operation of the plan	3,736,682
Demographic experience	(4,725,813)
Termination rate assumption changes	(2,717,161)
Economic assumption changes	(103,668)
December 31, 2017, Liability	26,766,228

In addition to the $3 8 million liability decrease, there was a by a $0 8 million increase in plan assets, leading to a $4 6 million decrease in the LTD plan's unfunded liability under ASC 712.

There is also a significant unfunded liability of $29 7 million as of December 31, 2017, measured under Internal Revenue Code Section 419A Therefore, all contributions AEP made to the LTD VEBA in 2017 are tax deductible in 2017 and none of the trust's 2017 investment income needs to be reported as Unrelated Business Income Tax (UBTI) The components of this calculation are

Funded Status of LTD VEBA as of December 31, 2017

	AEP East Disabled Before 1996	*Post-3/31/1998 East and Post-12/31/2000 West Disabilities*			*AEP West Disabled Before 2001*	
		Approved	*IBNA*[1]	*Subtotal*		*Total*
(1) Plan Assets						1,168,000
(2) Plan Liabilities						
(a) Claims Cost Liability	56,000	25,932,000	3,963,000	29,895,000	727,000	30,678,000
(b) DEFRA Limitations[2]	0	0	3,048,000	3,048,000	0	3,048,000
(c) DEFRA-Limited Claims (a) - (b)	56,000	25,932,000	915,000	26,847,000	727,000	27,630,000
(d) Administrative Costs						3,228,000
(e) QAAL--Total Plan Liability (c) + (d)						30,858,000
(3) Surplus/(Unfunded Liability)						
(a) Based on Unlimited Liability (1) - (2a) - (2d)						(32,738,000)
(b) Based on QAAL (1) - (2e)						(29,690,000)
(4) Number of Approved Claimants	2	327		327	11	340

[1] Incurred but not approved

[2] Exclusion of liability for projected benefit payments to claimants who have not been disabled for at least 5 months

COBRA and Severance

The liabilities as of December 31, 2017, associated with COBRA continuation coverage for medical and dental benefits have been included for all AEP companies. Liabilities were calculated for participants and assigned to the company for which they last worked

The liabilities were determined assuming that COBRA beneficiaries would incur claims costs equal to 154% of the per capita claims costs for active employees. No termination rates or increased claims cost morbidity was assumed for former employees receiving severance benefits because their monthly contributions to continue AEP's coverage was equal to the contributions charged to active participants.

This liability decreased by $0.2M during 2017, primarily due to a decrease in COBRA enrolment, and the expiration of UMWA severance benefits for a group of layoffs at Cook Coal

Highlights

Actuarial and Economic Assumptions

The discount rates for determining the obligations reflect the time value of money as of the measurement date This rate for ASC 450-20 (formerly FAS 5) obligations is based on Treasury bond yields and expected cash flows The resulting discount rates are·

	December 31, 2017	December 31, 2016
ASC 710-10 (formerly FAS 43)	2 25%	2 15%
For tax-deductible funding limit	2 30%	2 20%

Health Care Cost Trend Rate Assumptions

Health care cost trend is the assumed rate of increase in per capita health care charges It is disclosed in AEP's financial statements for ASC 715-60 as of December 1, 2018.

Year	Medical	Dental
2018	6 50%	3 00%
2019	6 25%	3 00%
2020	6 00%	3 00%
2021	5 75%	3 00%
2022	5 50%	3 00%
2023	5 25%	3 00%
2024 and after	5 00%	3 00%

The Company uses consistent trend assumptions for postretirement health care and postemployment benefit plan valuations.

Section 3: Participant data

	December 31, 2017	December 31, 2016
Census Date	12/31/2017	12/31/2016
Number		
▪ Health care & life insurance continuation benefits for LTD claimants	353	356
▪ Income replacement (LTD) plan	340	343
▪ COBRA	38	46
Average Age for LTD Medical Continuation Population	57 9	57 8

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Appendix A: Statement of actuarial assumptions and methods

Discount rate

0% for COBRA continuation, for all other benefits

- 2 25% for ASC 712-10 valuation
- 2 30% for tax-deductible funding limit valuation

Health care cost trend rate

(applies to plan costs and participant contributions)

Year	Medical	Dental
2018	6 50%	3.00%
2019	6 25%	3 00%
2020	6 00%	3 00%
2021	5 75%	3 00%
2022	5 50%	3 00%
2023	5 25%	3 00%
2024 and after	5 00%	3 00%

Health Care Benefit Assumptions

Non-UMWA Plans

Average annual 2018 per capita medical claims cost for disabled employees and their dependents

Age	*Employee or Spouse*		
	HSA Basic	*HSA Plus*	*HRA*
≤ 50	$ 5,107	$ 5,631	$ 6,223
50-54	6,271	6,914	7,641
55-59	7,530	8,302	9,174
60-64	9,318	10,273	11,353

Employee age	*Children*		
	HSA Basic	*HSA Plus*	*HRA*
<58	$ 5,193	$ 5,804	$ 6,420
≥58	0	0	0

For employees only, the costs shown above are increased by the following factors, based on duration of disability

Years Disabled	*Employee Medical Cost Multiplier*
≤ 3	8 0
3 – 6	5 0
>6	2 0

80% of employees disabled more than 30 months are assumed to be approved for Medicare. Including the Retiree Drug Subsidy under Medicare Part D, the onset of Medicare benefits is assumed to reduce the cost of benefits by 75% for those approved for Medicare

Average annual 2018 per capita dental claims cost for disabled employees and their dependents

Employee only	$357
Employee plus spouse	710
Employee plus child(ren)	952*
Full family	1,305*

*Children's portion of cost goes to zero at employee's age 58

Administrative expenses

Included in per capita costs shown above

COBRA morbidity	COBRA participants are assumed to incur average per capita claims costs equal to 154% of costs than active participants incur

Demographic Assumptions

Healthy Mortality	Based on modified versions of RP-2014 with long-term improvement rates of 0 75% Base mortality rates are derived from the RP-2014 mortality table with improvements factored to 2006 with no collar adjustments Mortality improvements are projected forward on a generational basis using an adjusted version of Scale MP-2017. The adjustment reflects 75% of the long-term improvement rates.
Long-term disability termination	2012 GLTD table reflecting 6-month elimination period, with margin removed, with the following duration-based adjustments to recovery rates to reflect findings from the 2016 GLTD Experience Study ■ +15% for the first four years of disability ■ -10% for later durations

COBRA continuation termination rates for beneficiaries not receiving severance benefits

	Probability of Terminating COBRA Coverage at End of Month	
Months	*18-Month Maximum*	*29- or 36-Month Maximum*
1	17	05
2	.12	05
3	07	04
4-6	05	03
7-12	04	03
13	03	03
14-24	.03	02
25-35	N/A	01
36	N/A	1 00
Average Duration	10 19 months	22 61 months

Social Security benefit entitlement for those not yet approved	Within 36 months of disability, 55% of disabled employees not yet approved for Social Security benefits will be approved for primary Social Security benefits and 20% will be approved for family Social Security benefits

Actuarial Methods

Applicable accounting standards	All benefits have been valued under FASB ASC 450-20-25-2
Postemployment benefit liability	FASB ASC 450-20-25-2 liabilities are equal to the actuarial present value of future benefit payments to current benefit recipients, with no allowance for incurred but unreported claims or claims administration expenses Calculation of LTD Plan liabilities for disabled participants under IRC Section 419A funding limit valuation includes the following a) Benefits in payment status – The liability for disabled employees currently receiving benefits is the present value of future benefits expected to be paid b) Benefits pending or in the waiting period – An estimate is made of the present value of benefits for disabled employees not yet receiving benefit payments c) For purposes of determining the qualified asset account limit in accordance with Section 419A of the Internal Revenue Code, benefits to be paid to claimants whose disabilities have not lasted more than five months have been excluded from the liabilities described under a) and b) above. d) Claims administrative expenses equal to 11 68% of expected benefit payments
Development of health care benefit claims cost	Cost per participant is based on age-related retired participant costs for AEP non-UMWA plans, adjusted to reflect higher anticipated health care utilization for disabled individuals and reduced for Medicare offsets
Benefits not valued	Claims incurred but not reported (IBNR) have not been included in the FASB ASC 712-10 liabilities for any benefits

Data Sources

American Electric Power (AEP), through its third-party administrator, furnished participant data as of January 1, 2018 Health plan vendors furnished the claims cost data Data were reviewed for reasonableness and consistency, but no audit was performed We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations

Assumptions Rationale — Significant Economic Assumptions – Funding Limit and Accounting

Discount rate (accounting)	As required by U S GAAP, the discount rate was chosen by the plan sponsor based on matching projected plan cash flows (for all benefits except COBRA continuation) to U S Treasury Constant Maturity yield rates on the measurement date, with resulting discount rate rounded to the nearest 0 05%
Discount rate (funding limits)	The discount rate was chosen by the plan sponsor based on matching projected LTD income benefit cash flows to the U S Treasury Constant Maturity yield rates on the measurement date, with resulting discount rate rounded to nearest 0 10%
Claims cost trend rates	Assumed increases were chosen by the plan sponsor and, as required by U S GAAP, they represent an estimate of future experience, informed by an analysis of recent plan experience, leading to select and ultimate assumed trend rates and reflecting the expected near-term effect of recently enacted plan changes In setting near-term trend rates, other pertinent statistics were considered, including surveys on general medical cost increases In setting the ultimate trend rate, considerations included assumed GDP growth consistent with the assumed future economic

	conditions inherent in other economic assumptions chosen by the client at the measurement date After examining historical variability in trend rates, we believe that the selected assumptions do not significantly conflict with what would be reasonable based on a combination of market conditions at the measurement date and future expectations consistent with other economic assumptions used, other than the discount rate
Participant contribution trend rates	In accordance with the substantive plan communicated to participants, participant contributions are intended to remain a fixed percentage of total plan costs, and thus the trend rates, and the description of the derivation of the trend rates, are the same as for claims costs as shown above
Medicare Part D subsidy trend rates	The assumed rates of increase in Medicare Part D subsidy are assumed to equal the plan's assumed trend rates
Per capita claims costs	Aetna, Express Scripts, Anthem and Magellan supplied data on retiree medical claims incurred in 2016 and paid through March 2017 Claim experience rates are calculated for the plans by normalizing claims experience for benefit differences and combining These normalized incurred claims were then reduced by prescription drug rebates, divided by covered lives and trended forward two years to 2018 Adjustments for plan provision and network changes were also made Finally, administrative expense rates were added to claims costs Medical and prescription drug claims cost models are developed by age-grading these claim rates over standard Willis Towers Watson morbidity curves for both medical and prescription drugs to develop the quinquennial age-banded claims cost assumptions Aetna supplied data on dental claims incurred in 2016 and paid through March 2017 Combined claims experience for all active and retired employees was analyzed to derive the dental claim rates
Medicare Part D subsidy value	We calibrated our modeling tool to reflect the 2018 cost of the current prescription drug plans for AEP's disabled employees The tool employs a continuance table of annual retiree drug utilization levels, developed from analyzing the experience of several large companies, including 2 4 million Medicare-eligible participants After the plan-specific benefit provisions have been calibrated to current costs, the Modeler trends costs forward to 2018 Actuarial equivalence was determined using the following approach *Gross Value Test* — The Modeler calculates the value of standard Medicare Part D coverage and compares it to AEP's plan costs AEP's plans passed this test by being richer than the projected value of standard Medicare part D coverage for these groups *Net Value Test* — The net value prong of the test compares the value of Standard Part D coverage in 2018 minus the greater of $420 24 per year (the national average Part D premium) and 25 5% of the gross value of Part D to the projected 2017 value of AEP coverage minus the average projected 2018 retiree contribution rate For this purpose, employee contributions were assumed to apply first to the value of medical benefits and then to prescription drug benefits When the plans are deemed to be actuarially equivalent, the tool calculates the average expected value of the employer subsidy in 2018, using the continuance table calibrated to AEP's plan costs

Assumptions Rationale — Significant Demographic Assumptions

Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S GAAP, represent a best estimate of future experience
Disabled Mortality	Assumptions were selected by the plan sponsor and, as required by U S GAAP, represent a best estimate of future experience
Rates of disability termination (recovery or death)	Termination rates reflecting both recovery and death were based on a published table for disabled participants believed to have similar characteristics to the plan population—the 2012 Group Long-Term Disability (GLTD) table, reflecting experience from the 2016 GLTD Experience Study Assumed termination rates differ by age, gender and duration because of differences in termination rates by gender and duration observed in studies of disability termination rates conducted by the Society of Actuaries

Source of Prescribed Methods

Accounting methods	The methods used for accounting purposes as described in Appendix A are "prescribed methods set by another party," as defined in the actuarial standards of practice (ASOPs) As required by U S GAAP, these methods were selected by the plan sponsor

Changes in Assumptions and Methods

Change in assumptions since prior valuation	Per capita claims costs were updated to reflect 2016 dental and retiree medical claims experience Discount rate was changed from 2 15% to 2 25% Rates of disability termination were updated to use the 2012 GLTD table, reflecting experience from the 2016 GLTD Experience Study
Change in methods since prior valuation	None

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Appendix B: Summary of Substantive Plan Provisions Reflected in Valuation

Non-UMWA Plans

Long-Term Disability

Eligibility — Total disability following elimination period of 26 weeks

Benefits — Following 26 weeks of total disability, benefits are payable Benefit payments continue until the first to occur of the following

(i) The participant ceases to be totally disabled, or

(ii) He reaches age 65 or if he becomes disabled after age 60, benefits can extend beyond age 65

Monthly benefits equal 60% (or 70% with employee buy-up) of base monthly salary reduced by

(a) Initial Social Security benefit (primary portion only for pre-2001 West disabilities)

(b) Workers Compensation benefit

(c) Jones Act

(d) General Maritime Law

(e) Settlements

(f) Other plans

Health Care Continuation to LTD Claimants

Eligibility — Participants are eligible for health care continuation upon approval for LTD benefits Dependents of disabled employees are also eligible Benefits continue until LTD benefits cease due to death, recovery or retirement

Benefits — Eligible participants receive continued coverage under AEP's active employee medical and dental plans Disabled participants who are eligible for Medicare have medical benefits provided secondary to Medicare

Contributions (Annual) Effective January 1, 2018

	HSA Basic	HSA Plus	HRA	Dental
Employee only	$373	$1,076	$1,703	$143
Employee plus spouse	804	2,382	3,776	284
Employee plus child(ren)	753	2,065	3,241	381
Full family	1,184	3,371	5,313	522

Life Insurance Continuation to LTD Claimants

Eligibility — Participants are eligible for life insurance continuation upon approval for LTD benefits

Benefits	Eligible participants receive continued coverage under the active employee life insurance plans Basic and supplemental amounts in force prior to approval for LTD benefits are continued Dependent life is also continued
Contributions	Same rates payable by active employees for supplemental coverage
COBRA	When employees terminate, they are offered medical coverage for 18 months at COBRA rates (102% of average active/pre-65 retiree medical costs) Because anti-selection occurs, the average cost for participants who elect COBRA coverage is typically more than the COBRA rates they pay to enroll for coverage Surviving spouses may continue coverage at COBRA rates for up to 36 months

Changes in Benefits Valued Since Prior Year

None

Appendix C: Results by Business Unit

Health Care and Life Insurance for Employees on Long Term Disability
Liabilities as of December 31, 2017

			Medical Benefits		Basic Life Insurance		Supplemental Life Insurance		Dental Benefits		All Benefits	
Code	Location	Number Disabled	12/31/2017 Liability	2018 Projected Benefit Payments	12/31/2017 Liability	2018 Projected Benefit Payments	12/31/2017 Liability	2018 Projected Benefit Payments	12/31/2017 Liability	2018 Projected Benefit Payments	12/31/2017 Liability	2018 Projected Benefit Payments
140	Appalachian Power Co - Distribution	49	$4 795 760	$1,318,771	$1 175 547	$306 717	$1,369 567	$371 824	$89,822	$16 488	$7 430,696	$2,013 800
215	Appalachian Power Co - Generation	32	2,699 792	648 370	713,133	179 127	382,679	99 899	60,895	11 147	3,856 499	938 543
150	Appalachian Power Co - Transmission	5	339 016	62,131	60,935	14,398	41,288	8,493	8 918	1,884	450,157	86 906
	Appalachian Power Co. - FERC	**86**	**$7,834,568**	**$2,029,273**	**$1,949,615**	**$500,242**	**$1,793,534**	**$480,216**	**$159,635**	**$29,519**	**$11,737,352**	**$3,039,250**
225	Cedar Coal Co	0	0	0	0	0	0	0	0	0	0	0
	Appalachian Power Co. - SEC	**86**	**$7,834,568**	**$2,029,273**	**$1,949,615**	**$500,242**	**$1,793,534**	**$480,216**	**$159,635**	**$29,519**	**$11,737,352**	**$3,039,250**
211	AEP Texas Central Company - Distribution	19	$1 382 477	$317,574	$471 425	$103 493	$504,696	$125 072	$27 363	$5 505	$2 385,961	$551 644
147	AEP Texas Central Company - Generation	0	0	0	0	0	0	0	0	0	0	0
169	AEP Texas Central Company - Transmission	1	22,449	22,634	5 397	5 452	2,017	2 039	342	346	30 205	30 471
	AEP Texas Central Co.	**20**	**$1,404,926**	**$340,208**	**$476,822**	**$108,945**	**$506,713**	**$127,110**	**$27,705**	**$5,851**	**$2,416,186**	**$582,115**
170	Indiana Michigan Power Co - Distribution	7	$524,500	$131 388	$132 847	$38,170	$99 459	$25 401	$9 872	$1,477	$766 678	$196,436
132	Indiana Michigan Power Co - Generation	7	419,583	200,809	110,671	41,957	58,904	24,524	7,390	2,418	596 548	269,709
190	Indiana Michigan Power Co - Nuclear	6	771,649	243 500	153 769	36 935	235 864	53,167	20 109	2,821	1 181 391	336,423
120	Indiana Michigan Power Co - Transmission	2	205,777	43,060	40,513	9,069	0	0	4,816	1,182	251,106	53,310
280	Ind Mich River Transp Lakin	13	1,082,205	273,628	228 316	42 305	270,108	52,061	22 214	3,346	1,602,843	371,340
	Indiana Michigan Power Co. - FERC	**35**	**$3,003,714**	**$892,385**	**$666,116**	**$168,436**	**$664,335**	**$155,153**	**$64,401**	**$11,245**	**$4,398,566**	**$1,227,219**
202	Price River Coal	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Indiana Michigan Power Co. - SEC	**35**	**$3,003,714**	**$892,386**	**$666,116**	**$168,438**	**$664,335**	**$155,153**	**$64,401**	**$11,246**	**$4,398,596**	**$1,227,219**
110	Kentucky Power Co - Distribution	10	$890,409	$202 184	$173 004	$38,872	$152,094	$30,794	$20 423	$3 533	$1 235 930	$275 384
117	Kentucky Power Co - Generation	8	601,248	130,319	131 618	32,601	203,862	58,807	13,322	2,501	950 050	224,228
180	Kentucky Power Co - Transmission	0	0	0	0	0	0	0	0	0	0	0
600	Kentucky Power Co - Kammer Actives	3	250 179	42 383	82 469	10 949	67,960	7,172	6,123	834	406 731	61 338
701	Kentucky Power Co Mitchell Actives	2	223 064	21,603	67,628	9 108	49 183	5,971	7,694	1 186	347,569	37 868
702	Kentucky Power Co - Mitchell Inactives	0	0	0	0	0	0	0	0	0	0	0
	Kentucky Power Co.	**23**	**$1,984 900**	**$396,488**	**$454,719**	**$91,530**	**$473,099**	**$102,744**	**$47,562**	**$8,065**	**$2,940,280**	**$598,818**
250	Ohio Power Co - Distribution	33	$3 551 727	$986 705	$770 968	$209 374	$650 731	$195 814	$83 212	$13,032	$5,056 638	$1 404 926
160	Ohio Power Co - Transmission	4	200,294	26,798	66,444	10,959	38,032	6,218	5,256	1,046	310,026	45 021
	Ohio Power Co.	**37**	**$3,752,021**	**$1,013,503**	**$837,412**	**$220,333**	**$688,763**	**$202,032**	**$88,468**	**$14,079**	**$5,366,664**	**$1,449,946**
167	Public Service Co of Oklahoma Distribution	13	$845 556	$207,474	$214 179	$54 533	$255 084	$63 048	$22 226	$3 924	$1 337 045	$328,978
198	Public Service Co of Oklahoma - Generation	6	398 830	81 036	96 989	21,628	157,642	23 536	10,024	1 716	663 485	127 915
114	Public Service Co of Oklahoma - Transmission	0	0	0	0	0	0	0	0	0	0	0
	Public Service Co. of Oklahoma	**19**	**$1,244,386**	**$288,510**	**$311,168**	**$76,161**	**$412,726**	**$86,583**	**$32,250**	**$5,639**	**$2,000,530**	**$456,893**
159	Southwestern Electric Power Co - Distribution	11	$907 965	$350 015	$194,360	$66,177	$135 555	$51 412	$12 738	$2 824	$1,250,618	$472,428
168	Southwestern Electric Power Co - Generation	9	830,570	206 068	233 842	57,290	197,944	62,017	18 284	3 382	1 280 640	328,757
161	Southwestern Electric Power Co - Texas - Distribution	8	816 730	210 472	175,457	39 480	224 399	56,744	13 997	2,459	1 230 583	309 155
111	Southwestern Electric Power Co - Texas - Transmission	0	0	0	0	0	0	0	0	0	0	0
194	Southwestern Electric Power Co - Transmission	0	0	0	0	0	0	0	0	0	0	0
	Southwestern Electric Power Co	**28**	**$2,555,265**	**$766,555**	**$603,659**	**$164 947**	**$557,898**	**$170,173**	**$45,019**	**$8,665**	**$3,761,841**	**$1,110,340**
119	AEP Texas North Company - Distribution	9	$504 763	$194 962	$131 774	$42 235	$124 340	$55 564	$9,394	$3 017	$770 271	$295 778
166	AEP Texas North Company - Generation	0	0	0	0	0	0	0	0	0	0	0
192	AEP Texas North Company - Transmission	0	0	0	0	0	0	0	0	0	0	0
	AEP Texas North Co.	**9**	**$504,763**	**$194,962**	**$131,774**	**$42,235**	**$124,340**	**$55,564**	**$9,394**	**$3,017**	**$770,271**	**$295,778**
230	Kingsport Power Co Distribution	2	$5 042	$5,047	$39 247	$9 797	$136 763	$34,890	$4 594	$799	$185 646	$50,533
260	Kingsport Power Co - Transmission	0	0	0	0	0	0	0	0	0	0	0
	Kingsport Power Co.	**2**	**$5,042**	**$5,047**	**$39,247**	**$9,797**	**$136,763**	**$34,890**	**$4,594**	**$799**	**$185,646**	**$50,533**
210	Wheeling Power Co - Distribution	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
200	Wheeling Power Co - Transmission	0	0	0	0	0	0	0	0	0	0	0
	Wheeling Power Co.	**0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
103	American Electric Power Service Corporation	56	$4 664 631	$1 521,916	$1,363,433	$397,587	$1,424 048	$468 308	$79 462	$15 701	$7 531 574	$2,403 513
293	Elmwood	0	0	0	0	0	0	0	0	0	0	0
292	AEP River Operations LLC	10	811 585	162,143	270 644	61 087	242 350	54,101	26,638	4 451	1,351 217	281,781
	American Electric Power Service Corp	**66**	**$5,476,216**	**$1,684,059**	**$1,634,077**	**$458,674**	**$1,666,398**	**$522,409**	**$106,100**	**$20,152**	**$8,882,791**	**$2,685,294**
143	AEP Pro Serv Inc	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
189	Central Coal Company	0	0	0	0	0	0	0	0	0	0	0
171	CSW Energy Inc	0	0	0	0	0	0	0	0	0	0	0
	Miscellaneous	**0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
270	Cook Coal Terminal	0	0	0	0	0	0	0	0	0	0	0
	AEP Generating Company	**0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
104	Cardinal Operating Company	3	$139 576	$47,628	$41,430	$12,647	$4 454	$1 328	$1,559	$420	$187,019	$62 023
181	Ohio Power Co Generation	11	528,796	112,740	195 298	36 306	134,284	28,180	19,458	2 958	877,836	180,185
	AEP Generation Resources - FERC	**14**	**$668,372**	**$160,368**	**$236 728**	**$48,953**	**$138,738**	**$29,508**	**$21,017**	**$3,378**	**$1,064,856**	**$242,208**
290	Conesville Coal Preparation Company	0	0	0	0	0	0	0	0	0	0	0
	AEP Generation Resources - SEC	**14**	**$668,372**	**$160,368**	**$236,728**	**$48,953**	**$138,738**	**$29,508**	**$21,017**	**$3,378**	**$1,064,856**	**$242,208**
175	AEP Energy Partners	0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
419	Onsite Partners	0	0	0	0	0	0	0	0	0	0	0
	AEP Energy Supply	**14**	**$668,372**	**$160,368**	**$236,728**	**$48,953**	**$138,738**	**$29,508**	**$21,017**	**$3,378**	**$1,064,855**	**$242,208**
245	Dolet Hills	14	$1,912,652	$778 457	$397,713	$140,894	$172,389	$68,377	$25,269	$4,614	$2,508,023	$992,341
	Dolet Hills	**14**	**$1,912,652**	**$778,457**	**$397,713**	**$140,894**	**$172,389**	**$68,377**	**$25,269**	**$4,614**	**$2,508,023**	**$992,341**
	Total	**353**	**$30,326,625**	**$8,549,815**	**$7,739,060**	**$2,031,147**	**$7,335,898**	**$2,034,760**	**$631,414**	**$115,013**	**$46,032,986**	**$12,730,735**

Long-Term Disability Income Replacement Benefits
Liabilities as of December 31, 2017

Code	Location	Number Disabled	12/31/2017 Liability	Total LTD Assets as of 12/31/2017	12/31/2017 Unfunded Liability	2018 Projected Benefit Payments
140	Appalachian Power Co - Distribution	45	$3 663,841	$159 823	$3,504 018	$733,749
215	Appalachian Power Co - Generation	31	2,616,285	114,127	2,502,158	546,996
150	Appalachian Power Co - Transmission	5	265 811	11 595	254 216	58,331
	Appalachian Power Co. - FERC	**81**	**$6,545,937**	**$285,545**	**$6,260,392**	**$1,339,076**
225	Cedar Coal Co	0	$0	$0	$0	$0
	Appalachian Power Co. - SEC	**81**	**$6,545,937**	**$285,545**	**$6,260,392**	**$1,339,076**
211	AEP Texas Central Company - Distribution	19	$1,623,389	$70,815	$1,552 574	$334,970
147	AEP Texas Central Company - Generation	0	0	0	0	0
169	AEP Texas Central Company - Transmission	1	12 180	531	11,649	12,281
	AEP Texas Central Co.	**20**	**$1,635,569**	**$71,346**	**$1,564,223**	**$347,251**
170	Indiana Michigan Power Co - Distribution	6	$226,255	$9,870	$216 385	$57,744
132	Indiana Michigan Power Co. - Generation	7	380,733	16 608	364,125	153,523
190	Indiana Michigan Power Co - Nuclear	5	541,404	23,617	517,787	83,939
120	Indiana Michigan Power Co. - Transmission	2	121,521	5,301	116,220	24,807
280	Ind Mich River Transp Lakin	13	947 780	41 344	906,436	185 923
	Indiana Michigan Power Co. - FERC	**33**	**$2,217,693**	**$96,740**	**$2,120,953**	**$505,936**
202	Price River Coal	0	$0	$0	$0	$0
	Indiana Michigan Power Co. - SEC	**33**	**$2,217,693**	**$96,740**	**$2,120,953**	**$505,936**
110	Kentucky Power Co - Distribution	10	$528,839	$23,069	$505,770	$106,202
117	Kentucky Power Co - Generation	7	634,318	27,670	606,648	106,224
180	Kentucky Power Co - Transmission	0	0	0	0	0
600	Kentucky Power Co - Kammer Actives	3	248,908	10,858	238,050	36,721
701	Kentucky Power Co - Mitchell Actives	2	378,969	16,531	362,438	49,391
702	Kentucky Power Co - Mitchell Inactives	0	0	0	0	0
	Kentucky Power Co.	**22**	**$1,791,034**	**$78,128**	**$1,712,906**	**$298,537**
250	Ohio Power Co - Distribution	32	$2 352,320	$102,612	$2,249,708	$467,784
160	Ohio Power Co - Transmission	4	229,049	9,991	219 058	44 523
	Ohio Power Co.	**36**	**$2,581,369**	**$112,603**	**$2,468,766**	**$512,307**
167	Public Service Co of Oklahoma - Distribution	13	$853,907	$37,249	$816,658	$181,282
198	Public Service Co of Oklahoma - Generation	6	354,413	15 460	338 953	84,808
114	Public Service Co of Oklahoma - Transmission	0	0	0	0	0
	Public Service Co. of Oklahoma	**19**	**$1,208,320**	**$52,709**	**$1,155,611**	**$266,090**
159	Southwestern Electric Power Co - Distribution	11	$585,735	$25,551	$560,184	$158,950
168	Southwestern Electric Power Co - Generation	9	688,065	30,015	658,050	128,538
161	Southwestern Electric Power Co - Texas - Distribution	8	557,298	24,310	532,988	93,900
111	Southwestern Electric Power Co. - Texas - Transmission	0	0	0	0	0
194	Southwestern Electric Power Co - Transmission	0	0	0	0	0
	Southwestern Electric Power Co.	**28**	**$1,831,098**	**$79,876**	**$1,751,222**	**$381,388**
119	AEP Texas North Company - Distribution	9	$329,362	$14,367	$314,995	$104,140
166	AEP Texas North Company - Generation	0	0	0	0	0
192	AEP Texas North Company - Transmission	0	0	0	0	0
	AEP Texas North Co.	**9**	**$329,362**	**$14,367**	**$314,995**	**$104,140**
230	Kingsport Power Co - Distribution	2	$167 096	$7,289	$159 807	$28,432
260	Kingsport Power Co - Transmission	0	0	0	0	0
	Kingsport Power Co.	**2**	**$167,096**	**$7,289**	**$159,807**	**$28,432**
210	Wheeling Power Co - Distribution	0	$0	$0	$0	$0
200	Wheeling Power Co. - Transmission	0	0	0	0	0
	Wheeling Power Co.	**0**	**$0**	**$0**	**$0**	**$0**
103	American Electric Power Service Corporation	56	$5,262 907	$229,575	$5,033,332	$1,162 320
293	Elmwood	0	0	0	0	0
292	AEP River Operations LLC	9	1 317 143	57,456	1 259,687	237 608
	American Electric Power Service Corp	**65**	**$6,580,050**	**$287,031**	**$6,293,019**	**$1,399,928**
143	AEP Pro Serv, Inc	0	$0	$0	$0	$0
189	Central Coal Company	0	0	0	0	0
171	CSW Energy, Inc	0	0	0	0	0
	Miscellaneous	**0**	**$0**	**$0**	**$0**	**$0**
270	Cook Coal Terminal	0	$0	$0	$0	$0
	AEP Generating Company	**0**	**$0**	**$0**	**$0**	**$0**
104	Cardinal Operating Company	3	$142,195	$6,203	$135 992	$41,445
181	Ohio Power Co - Generation	11	719,302	31,377	687 925	141,588
	AEP Generation Resources - FERC	**14**	**$861,497**	**$37,580**	**$823,917**	**$183,032**
290	Conesville Coal Preparation Company	0	$0	$0	$0	$0
	AEP Generation Resources - SEC	**14**	**$861,497**	**$37,580**	**$823,917**	**$183,032**
175	AEP Energy Partners	0	$0	$0	$0	$0
419	Onsite Partners	0	0	0	0	0
	AEP Energy Supply	**14**	**$861,497**	**$37,580**	**$823,917**	**$183,032**
245	Dolet Hills	11	$1,017 203	$44 372	$972 831	$239,483
	Dolet Hills	**11**	**$1,017,203**	**$44,372**	**$972,831**	**$239,483**
	Total	**340**	**$26,766,228**	**$1,167,586**	**$25,598,642**	**$5,605,601**

Liabilities for COBRA Continuation of Medical and Dental Coverage
Former Non-UMWA and UMWA Employees

Code	Location	Number of Participants	12/31/2017 Liability	2018 Projected Benefit Payments
140	Appalachian Power Co - Distribution	3	$5 825	$3,748
215	Appalachian Power Co - Generation	1	275	185
150	Appalachian Power Co - Transmission	0	0	0
	Appalachian Power Co - FERC	**4**	**$6,100**	**$3,933**
225	Cedar Coal Co	0	0	0
	Appalachian Power Co. - SEC	**4**	**$6,100**	**$3,933**
211	AEP Texas Central Company - Distribution	1	$1,469	$1,469
147	AEP Texas Central Company - Generation	0	0	0
169	AEP Texas Central Company - Transmission	0	0	0
	AEP Texas Central Co.	**1**	**$1,469**	**$1,469**
170	Indiana Michigan Power Co - Distribution	4	$24,974	$22,350
132	Indiana Michigan Power Co. - Generation	0	0	0
190	Indiana Michigan Power Co - Nuclear	6	20,482	14,657
120	Indiana Michigan Power Co - Transmission	0	0	0
280	Ind Mich River Transp Lakin	0	0	0
	Indiana Michigan Power Co. - FERC	**10**	**$45,456**	**$37,007**
202	Price River Coal	0	0	0
	Indiana Michigan Power Co. - SEC	**10**	**$45,456**	**$37,007**
110	Kentucky Power Co - Distribution	0	$0	$0
117	Kentucky Power Co - Generation	0	0	0
180	Kentucky Power Co - Transmission	0	0	0
600	Kentucky Power Co - Kammer Actives	0	0	0
701	Kentucky Power Co - Mitchell Actives	0	0	0
702	Kentucky Power Co - Mitchell Inactives	0	0	0
	Kentucky Power Co.	**0**	**$0**	**$0**
250	Ohio Power Co - Distribution	4	$76,589	$30,693
160	Ohio Power Co. - Transmission	1	308	185
	Ohio Power Co.	**5**	**$76,897**	**$30,878**
167	Public Service Co of Oklahoma - Distribution	0	$0	$0
198	Public Service Co of Oklahoma - Generation	0	0	0
114	Public Service Co of Oklahoma - Transmission	0	0	0
	Public Service Co. of Oklahoma	**0**	**$0**	**$0**
159	Southwestern Electric Power Co - Distribution	1	$6 310	$6 310
168	Southwestern Electric Power Co - Generation	0	0	0
161	Southwestern Electric Power Co - Texas - Distribution	1	33,633	12,111
111	Southwestern Electric Power Co - Texas - Transmission	0	0	0
194	Southwestern Electric Power Co - Transmission	0	0	0
	Southwestern Electric Power Co.	**2**	**$39,943**	**$18,421**
119	AEP Texas North Company - Distribution	1	$21,818	$17,454
166	AEP Texas North Company - Generation	0	0	0
192	AEP Texas North Company - Transmission	0	0	0
	AEP Texas North Co.	**1**	**$21,818**	**$17,454**
230	Kingsport Power Co - Distribution	0	$0	$0
260	Kingsport Power Co - Transmission	0	0	0
	Kingsport Power Co	**0**	**$0**	**$0**
210	Wheeling Power Co - Distribution	0	$0	$0
200	Wheeling Power Co - Transmission	0	0	0
	Wheeling Power Co.	**0**	**$0**	**$0**
103	American Electric Power Service Corporation	14	$58 804	$44,362
293	Elmwood	0	0	0
292	AEP River Operations LLC	0	0	0
	American Electric Power Service Corp	**14**	**$58,804**	**$44,362**
143	AEP Pro Serv, Inc	0	$0	$0
189	Central Coal Company	0	0	0
171	CSW Energy Inc	0	0	0
	Miscellaneous	**0**	**$0**	**$0**
270	Cook Coal Terminal	0	0	0
	AEP Generating Company	**0**	**$0**	**$0**
104	Cardinal Operating Company	0	$0	$0
181	Ohio Power Co - Generation	0	0	0
	AEP Generation Resources - FERC	**0**	**$0**	**$0**
290	Conesville Coal Preparation Company	0	0	0
	AEP Generation Resources - SEC	**0**	**$0**	**$0**
175	AEP Energy Partners	0	0	0
419	Onsite Partners	0	0	0
	AEP Energy Supply	**0**	**$0**	**$0**
245	Dolet Hills	1	$2,894	$2 894
	Dolet Hills	**1**	**$2,894**	**$2,894**
	Total	**38**	**$253,381**	**$156,418**

Benefits Summary by Location
Unfunded Liabilities as of December 31, 2017

Code	Location	Health Care and Life Insurance	LTD	COBRA	Total Benefits
140	Appalachian Power Co - Distribution	$7,430,696	$3,504,018	$5 825	$10,940,539
215	Appalachian Power Co - Generation	3,856,499	2,502,158	275	6,358,932
150	Appalachian Power Co - Transmission	450,157	254,216	0	704,373
	Appalachian Power Co. - FERC	**$11,737,352**	**$6,260,392**	**$6,100**	**$18,003,844**
225	Cedar Coal Co	0	0	0	0
	Appalachian Power Co. - SEC	**$11,737,352**	**$6,260,392**	**$6,100**	**$18,003,844**
211	AEP Texas Central Company - Distribution	$2,385,961	$1,552,574	$1 469	$3,940,004
147	AEP Texas Central Company - Generation	0	0	0	0
169	AEP Texas Central Company - Transmission	30,205	11,649	0	41,854
	AEP Texas Central Co.	**$2,416,166**	**$1,564,223**	**$1,469**	**$3,981,858**
170	Indiana Michigan Power Co - Distribution	$766,678	$216 385	$24,974	$1 008,037
132	Indiana Michigan Power Co - Generation	596,548	364,125	0	960,673
190	Indiana Michigan Power Co - Nuclear	1,181 391	517,787	20,482	1,719 660
120	Indiana Michigan Power Co - Transmission	251,106	116,220	0	367,326
280	Ind Mich River Transp Lakin	1,602 843	906,436	0	2,509,279
	Indiana Michigan Power Co. - FERC	**$4,398,566**	**$2,120,953**	**$45,456**	**$6,564,975**
202	Price River Coal	0	0	0	0
	Indiana Michigan Power Co. - SEC	**$4,398,566**	**$2,120,953**	**$45,456**	**$6,564,975**
110	Kentucky Power Co - Distribution	$1,235,930	$505,770	$0	$1,741,700
117	Kentucky Power Co - Generation	950,050	606,648	0	1,556,698
180	Kentucky Power Co - Transmission	0	0	0	0
600	Kentucky Power Co - Kammer Actives	406,731	238,050	0	644,781
701	Kentucky Power Co - Mitchell Actives	347,569	362,438	0	710,007
702	Kentucky Power Co - Mitchell Inactives	0	0	0	0
	Kentucky Power Co.	**$2,940,280**	**$1,712,906**	**$0**	**$4,653,186**
250	Ohio Power Co - Distribution	$5,056,638	$2 249,708	$76,589	$7,382,935
160	Ohio Power Co - Transmission	310,026	219 058	308	529,392
	Ohio Power Co.	**$5,366,664**	**$2,468,766**	**$76,897**	**$7,912,327**
167	Public Service Co of Oklahoma - Distribution	$1 337,045	$816 658	$0	$2 153,703
198	Public Service Co of Oklahoma - Generation	663,485	338,953	0	1,002,438
114	Public Service Co of Oklahoma - Transmission	0	0	0	0
	Public Service Co. of Oklahoma	**$2,000,530**	**$1,155,611**	**$0**	**$3,156,141**
159	Southwestern Electric Power Co - Distribution	$1,250,618	$560,184	$6 310	$1,817,112
168	Southwestern Electric Power Co - Generation	1,280,640	658,050	0	1,938,690
161	Southwestern Electric Power Co - Texas - Distribution	1,230,583	532,988	33 633	1,797,204
111	Southwestern Electric Power Co - Texas - Transmission	0	0	0	0
194	Southwestern Electric Power Co - Transmission	0	0	0	0
	Southwestern Electric Power Co.	**$3,761,841**	**$1,751,222**	**$39,943**	**$5,553,006**
119	AEP Texas North Company - Distribution	$770 271	$314,995	$21,818	$1,107,084
166	AEP Texas North Company - Generation	0	0	0	0
192	AEP Texas North Company - Transmission	0	0	0	0
	AEP Texas North Co.	**$770,271**	**$314,995**	**$21,818**	**$1,107,084**
230	Kingsport Power Co - Distribution	$185,646	$159 807	$0	$345 453
260	Kingsport Power Co - Transmission	0	0	0	0
	Kingsport Power Co.	**$185,646**	**$159,807**	**$0**	**$345,453**
210	Wheeling Power Co - Distribution	$0	$0	$0	$0
200	Wheeling Power Co - Transmission	0	0	0	0
	Wheeling Power Co.	**$0**	**$0**	**$0**	**$0**
103	American Electric Power Service Corporation	$7,531,574	$5,033,332	$58,804	$12,623,710
293	Elmwood	0	0	0	0
292	AEP River Operations LLC	1,351 217	1 259 687	0	2,610 904
	American Electric Power Service Corp.	**$8,882,791**	**$6,293,019**	**$58,804**	**$15,234,614**
143	AEP Pro Serv Inc	$0	$0	$0	$0
189	Central Coal Company	0	0	0	0
171	CSW Energy, Inc	0	0	0	0
	Miscellaneous	**$0**	**$0**	**$0**	**$0**
270	Cook Coal Terminal	$0	$0	$0	$0
	AEP Generating Company	**$0**	**$0**	**$0**	**$0**
104	Cardinal Operating Company	$187 019	$135 992	$0	$323,011
181	Ohio Power Co - Generation	877,836	687,925	0	1,565,761
	AEP Generation Resources - FERC	**$1,064,855**	**$823,917**	**$0**	**$1,888,772**
290	Conesville Coal Preparation Company	0	0	0	0
	AEP Generation Resources - SEC	**$1,064,855**	**$823,917**	**$0**	**$1,888,772**
175	AEP Energy Partners	0	0	0	0
419	Onsite Partners	0	0	0	0
	AEP Energy Supply	**$1,064,855**	**$823,917**	**$0**	**$1,888,772**
245	Dolet Hills	$2 508 023	$972 831	$2 894	$3,483,748
	Dolet Hills	**$2,508,023**	**$972,831**	**$2,894**	**$3,483,748**
	Total	**$46,032,985**	**$25,598,642**	**$253,381**	**$71,885,008**

WillisTowersWatson

American Electric Power

Postemployment Benefit Plans

Actuarial Valuation Report
Postemployment Benefit Obligations as of December 31, 2019, under U.S. GAAP

April 2020